

OFFICE ORGANIZATION AND MANAGEMENT

INCLUDING SECRETARIAL WORK

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PREFACE

THE object of the Authors of this volume has been to provide business men with a practical handbook of reasonable proportions, to which they may refer from time to time for information upon matters ordinarily arising in the management and general conduct of the office work in connection with business transactions both large and small. No attempt has been made to exceed these limits by needlessly specializing either in the direction of accountancy or of law, or in connection with the more technical details of the practical conduct of different classes of business undertakings. Such an extension of the scope of the work would, it is thought, have been in the highest degree undesirable; for, apart from the difficulty of dealing with these larger subjects effectively within anything approaching the compass of the present volume, it is at least open to serious doubt whether a knowledge of them can be imparted effectively by means of a book of any description.

Chapters XXI and XXII deal with the various legal matters concerning which all business men should possess some knowledge. Obviously, however, they do not profess to be exhaustive, or to avoid the necessity of legal assistance in all cases where serious complications or disputes arise. Their aim is rather to point out to the reader the desirability of employing such assistance under circumstances in which it should be invoked than of attempting the impossible task of indicating how the average layman, with no special training or experience, can hope to succeed in carrying on an important business for any appreciable period of time without incurring some expenditure by way of law costs. Attempts at economy in this direction are in general as futile as in connection with the professional audit of accounts, and it is certainly not claimed that the most attentive reader of the present volume will be able with safety to dispense with the services of either his solicitor or his professional accountant.

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OFFICE ORGANIZATION AND MANAGEMENT

CHAPTER I

Introductory, dealing generally with the importance of organization in business matters, and the qualifications necessary for those who undertake it

No one who is in touch with commercial offices can have failed to notice the vast changes in methods of organization which have characterized the last few decades. It is not merely that the enormous growth of population at home has increased the competition in business of every description, but the great efforts which have been made by continental nations to tap the trade of the world have quickened the activities and added an additional spur to the ambition of the English-speaking race, who realize that new methods are necessary if the headway gained by their forefathers is to be maintained. There has also been a noticeable commercial invasion of Great Britain by our American cousins, and there is a never-ceasing stream of representatives of foreign nations whose success in establishing profitable business connections in this country is apparent. With new men come always new methods and often new manners, and it has been found necessary by all who desire to keep abreast of the times that these new methods should be studied, and—where telling for increased efficiency or economy—adopted. There is no branch of manufacture of which the cost has not been materially reduced by labour-saving machinery, and the modernizing influences have spread gradually but surely from the manufactory and the works into the office itself, until now there are but few offices which do not bear unmistakable signs of the revolution which has taken place in commercial ideas since the last generation.

The day has gone past never to return when great commercial undertakings could afford to have their offices conducted on the

slow, if steady and reliable, lines of old, and it is now realised that the office is to a business what the main spring is to a watch. The office of a successful business organization must be the brains of the whole concern : it must be the nerve centre of the entire mechanism, and so responsive in its organism that it shall instantly feel any weakness or failure in any outlying branch. The aim of the present book is to show the directions in which new methods may be found of advantage, and to suggest a systematic organization of every detail of office work.

Let it be assumed that a new business is being established, say, of a manufacturing character, with its own drawing office and works, its own travellers and agents, its own branches, and, of course, its own managing and clerical staff. This will enable us to take a "bird's-eye view" of the various departments of the business, to map out the scope and working of each, to consider the relationships which will combine all into a smoothly working whole—each having separate responsibility, but always acting in harmony with the one general plan, and co-operating with the others to secure a successful issue.

Successful organization implies a capable organizer, and it may be well at the outset to consider the qualifications necessary for the Manager of any large business undertaking. Notwithstanding the numerous examples there are of self-made men, they would probably be the first to admit that their efforts had been much hampered by want of education, and it is quite certain that they have risen not because of their want of education, but rather in spite of it. A good sound commercial education is a most remunerative investment, and is now within the reach of anyone of reasonable industry and average ability. It is not the function of this book to go into details as to what should comprise a good commercial education, the desire being to compile information and make suggestions which may be found useful to those who are either about to organize an office, or wish to improve their existing scheme of management.

A sound commercial education having been acquired, it is necessary for this education to be trained. Management should not be undertaken without training and the implied experience in office organization, otherwise it is probable that the experience will be dearly bought by the business whose Manager so acquires it. The

young business man, ambitious ultimately to hold managerial reins, should lose no opportunity of acquiring an insight into every branch of work, be it correspondence, book-keeping, travelling, costing, store-keeping, advertising, manufacturing, or even legal. There is no knowledge which equals the knowledge possessed by one who has actually *done* work similar to that to be organized, who knows its difficulties, who has tested its possibilities of economy, and who has not been content merely to execute it but has endeavoured, as he has gained aptitude and experience, to improve upon its details and to facilitate rapidity of completion.

For the more marked success, organizing ability of the highest order is, of course, necessary. But, after all, what is organizing ability, and is it not possible to acquire it, at all events to a fair extent? It is true that many men have that gift of intuition which enables their minds to grasp almost with lightning rapidity the bearings of a case, that logical faculty which marshals up without difficulty the *pros* and *cons* of a knotty point which must be settled, that ability of foretelling results or events which is almost uncanny in its far-sightedness, that grasp of method and of detail which makes their brain like an orderly cabinet from which may be obtained at a second's notice whatever information may be required, and that capacity for rapid and accurate decision which almost amounts to genius. But, on the other hand, much of each of these qualities may be attained by that "infinite capacity for taking pains," which, we are told, is akin to genius and is asserted by some to be genius itself. The cultivation of a habit of business accuracy, the thoughtful study of varying idiosyncrasies and types of character, the careful tracing of cause and effect, research into sources of commercial information, the compilation of useful notes, a tactfully-exercised curiosity acted upon by a suspicion of that "gospel of discontent," which is so powerful an incentive to those who desire to mount life's ladder, will go far to foster powers of organization, and there are many ways in private and social life in which useful experience may be obtained. Honorary secretaryships of some of the numerous organizations which play so large a part in modern life offer most useful opportunities of acquiring valuable experience, and are of unmistakable benefit from the training point of view when the duties connected with them are undertaken with intelligence, enterprise, and industry.

Will power is no mean equipment. It is not merely necessary for the successful Manager to be able to "make up his mind," as the saying goes; having made it up, it is equally important that he should be mentally strong enough to adhere to, and to carry out, his decision. The adage, "the man who hesitates is lost," is more true in business life than in almost any other sphere. Decision and firmness should be twin qualities, and, in management, a decision should not be arrived at without due consideration of all the factors of the situation. When a decision has been given, it should be altered only when proved to be wrong by actual experience. It is better thus to buy experience once than to shake the confidence of the staff by constant changes of decision, reversals of policy, and the incessant alteration of arrangements before there has been a fair opportunity of testing what results will be brought forth.

Adaptability is a useful power in business life—not merely adaptability in dealing with one's fellows, but adaptability in connection with business methods. How often do we see men turn out business failures for no other reason than that they will not, or cannot, adapt themselves to those with whom they are brought into business relationships, or will not change their methods to suit alterations made necessary by competition or other influences? Many fortunes have been made by men who have set out upon certain lines, and have adapted themselves or their businesses to some changed condition which they have been quick to notice and to fall in with.

Originality and imagination are important factors in business management and success. The trend of commercial life is all in the direction of improvement, and it is the man with originality of ideas, who has trained his imagination to come into play in business life, who outstrips his fellows. It is not well to run after novelties for the sake of novelty, but it is often the presentation of an old idea in some new form which brings business, and which, in course of time, marks out a man as one who does not run in a groove but has brains to think out new ways. Cultivate the imagination—it is a powerful aid against business mediocrity, and (more important still) a preventer of monotony.

The successful Manager must cultivate self-control. Coolness, quietness of demeanour and utterance, firmness of manner, and uniform command of temper are certain to ensure obedience and

respect. Shouting, blustering, and bullying may appear to have a temporary effect, but continued indulgence will soon be recognized as a sign of weakness, and induce contempt and perhaps even hatred in the minds of subordinates. For a like reason sarcasm is generally to be avoided. If regarded only from the selfish point of view, it is better to be surrounded by cheerful, willing assistants, whose pleasure it is to earn commendation, when they know appreciation is always expressed, rather than by cowed, discontented, and disloyal workers. Cultivate a spirit of fellowship in the staff, take an interest in their doings, and let them feel that they are regarded not as machines but as brains whose active and sympathetic co-operation in the progress of the undertaking will be welcome, whose interest is invited and whose welfare will be safeguarded. Self-control is to some extent a matter of health. The bilious, "livery" man will at times find it difficult to maintain his evenness of temper, and it is therefore important, from the business point of view, that bodily health should be as good as possible. Modern science has taught much in connection with the "healthy body," and infinite help in this direction will be derived from the regular use of some of the physical exercises now so widely recommended. By their means all exercise really necessary for health's sake can be obtained, so to speak, "in tabloid form," and this without interfering in any way with the exigencies of business.

CHAPTER II

Personnel of Staff—General points to be considered in connection with the engagement of Clerks, Travellers, Agents, Foremen, etc.—Qualifications required in each case—Female Labour—Apprentices—Remuneration—Terms of Hire—Termination of Hire

ONE of the most important factors in commercial success is the power to read character, and the selection of a staff is one of the matters which should always secure the personal attention of the capable Manager, as upon its wisdom depends to an even greater extent than is generally recognized the success of the whole undertaking. No trouble should be regarded as too great to be taken in the endeavour to find just the right man for each appointment. It is hardly necessary to say that no appointment should be made until the applicant has been personally interviewed. Written references should not be relied upon. It is a matter of common knowledge that some firms, not specially noted for commercial morality, try to get rid of their indifferent employees by giving them a strong recommendation in support of applications for other appointments, while, on the other hand, some houses make it a rule never to give written references. A personal interview with the Manager of the firm giving the recommendation is always advisable if it can be obtained, whilst an indirect inquiry amongst the colleagues of the applicant will sometimes throw an unexpected light upon his character and capabilities.

The Manager's Principal Assistant or Chief Clerk should possess, as far as possible, the qualifications of the Manager himself, as the latter must have someone upon whom he can rely to take charge in his absence. Some Managers prefer to appoint to this position one having a good knowledge of some parts of the work with which they themselves are least familiar, and, in cases where the Manager has not a good all-round knowledge, probably this is advisable.

Very special care must be exercised in the selection of travellers and agents, as their duties are necessarily performed outside the immediate supervision of the Manager. Although there is a widespread belief that a smart and experienced traveller can effect sales of *anything*, it is of undoubted importance for him to have a good knowledge of the various manufactures of the firm he

represents ; and one who is already personally known to buyers in the particular line of business will have access to many a private office which would be closed to a new man. Readiness of wit and a good address are essentials to these appointments.

In regard to agents, it is very necessary that, prior to appointment, their commercial status should be inquired about through one of the commercial inquiry offices. It is useless to expect an extension of business in a given neighbourhood unless the agent is a man of good standing locally, and the careful Manager should not content himself until he has made personal inquiries in the district which it is desired to open up.

In selecting book-keepers and clerks, there is a good deal to be said in favour of requiring certificates in such subjects as book-keeping and shorthand, although it should not be imagined that the possession of these certificates indicates that their holders are trained men of business. Employers are often inclined to complain of our system of commercial education, and that there is room for improvement may be readily admitted. It is, however, useless to expect that any conceivable system of scholastic training can take the place of actual experience, and the danger is that, if the opposite be assumed to be true, the first duty of a new entrant to an office will be to unlearn a good deal of what has been inculcated outside. What is wanted is a good foundation of general knowledge—supplemented by an acquaintance with common commercial terms and general routine—and a receptive mind. There is no good reason why a youth of 16 or 17 who has any intention of filling a place in the huge business machine should not have acquired some idea of the difference between, say, a Letter of Credit and a Credit Note, as well as the ability to cast, correctly and quickly, a column of figures, to write a good hand, and to use, rather than abuse, his mother tongue. It is satisfactory to find that such subjects as shorthand, book-keeping, commercial law, business routine, commercial geography, etc., are now receiving some of the attention they deserve, and are being given a proper place in the educational curriculum. Certificates in these and other subjects are now awarded by several trustworthy examining bodies, and these certificates possess a secondary value which should not be overlooked. They not only indicate a certain acquaintance with the subjects specified, but they also serve as an indirect testimony to the industry

and ambition of the applicants who possess them, and, from this point of view, they are a valuable endorsement of the personal references furnished by a previous employer. It may be added that several of the newer Universities, not only the University of London, now grant Degrees in Commerce. The curriculum preparatory to graduation in this faculty is naturally somewhat severe, but the value of the qualification, when obtained, is correspondingly high.

A would-be book-keeper should have a good grounding in the *principles* of book-keeping, as well as the knowledge and mental agility necessary to enable him to apply those principles to particular requirements. In addition, he should possess certain mental and moral qualifications without which his technical knowledge will be worse than useless. In the first place, he should, of course, be accurate and reliable and absolutely above suspicion, especially if filling one of the higher positions in his department. These are all-important considerations; while neatness and quickness are also essential to the best results.

Correspondence clerks should have a good knowledge of shorthand and be expert typists. The Manager of a busy office cannot afford to waste time dictating letters to clerks who are unable to "take down" at the desired rate or who cannot type those letters in a creditable manner. A good knowledge of English is another desideratum, as it will save the clerk from many a pitfall, and it will be to the employer's interest to look for this qualification in his correspondence clerks. Nothing but discredit is reflected on an office sending out badly typed, badly spelt, or badly punctuated letters; and, although it may be sometimes necessary as a corrective to careless work to insist on a letter being re-typed, this is an expensive and vexatious remedy which it should not be necessary to apply as a regular practice.

During recent years there has been a great increase in the employment of girls for office work, particularly for correspondence and similar purposes. It is necessary here again to draw attention to the importance of securing assistants of fair education and training. When this is done, it will be found that shorthand clerks and typists of a high order of intelligence are to be obtained, whose work in their particular sphere will bear comparison with that of the opposite sex.

There is some difference of opinion as to the desirability of the

apprentice system in offices. It has grown to be very unpopular in some districts, owing entirely to its abuse by employers who run their offices with young apprentices, who are promptly discharged when their indentures have expired. The apprentice system of olden days furnished opportunities for a youth to be thoroughly grounded in every branch of the business to which he was bound, and left him, at the end of his time, a valuable assistant well worthy of a permanent place in the establishment, and, if this method is followed to a legitimate extent, it will be found useful.

The question of remuneration is one which it is difficult to discuss in detail, owing to the infinite variety of circumstances existing in businesses of various kinds and magnitudes. There are, however, some general considerations which it will be well to bear in mind. Cheap labour from the point of view of the salaries list does not necessarily imply economy when the Balance Sheet stage has been reached, and a really good clerk is always worth good pay. The results obtained will be a faithful reflex of the ability of the individual members of the staff, and it is well to remember, particularly in businesses where competition is keenly felt, that a good clerk lost may be an important gain to a competitor. The Manager should have a clear idea of the qualifications necessary for the various appointments to be filled, and a proper acquaintance with what is regarded as the market value attached to such positions. Given this knowledge, it follows that a payment higher than the ordinary market value for the leading positions will secure a variety of choice and a standard of applicant which will assist materially in the quest of the best assistants. It will not be found more expensive to obtain men and girls of fair education, appearance, and address than those of a more common grade, and due attention should be paid to these points, particularly in connection with positions the holders of which necessarily come into contact with customers or the general public. If not favourably impressed with an applicant for one of these posts, it should not be forgotten that, while appearances are often deceptive, the impression made on others may be not unlike your own, and the success of your business may be prejudiced by the very defects which lead you to look unfavourably upon the applicant.

As regards the actual engagement of employees, the law in the case of a partnership every partner has implied .

to engage and to dismiss a servant unless it is otherwise provided in the articles of partnership. An employee cannot, however, be compelled by one partner to leave the premises if the other partner or partners authorize him to remain.

For all except the most subordinate positions, written agreements should, of course, be the rule. Not that an agreement by word of mouth is unenforceable if supported by proper evidence ; but the mere existence of a written contract has a marked effect in *preventing* disputes, as well as in assisting materially in their settlement should they arise. In the case of an engagement which, by its nature, cannot be performed within a year, no action can be brought unless some note or memorandum of it is in writing and signed. The essential conditions of an agreement are—

- (1) It must contain the names or other sufficient description of the parties thereto ;
- (2) It must contain the terms of engagement (which cannot be varied by any outside evidence) ;
- (3) It must be shown that the agreement is mutual ;
- (4) It must be signed—by both parties for preference, though it is sufficient if each party has the signature of the other.

If an agreement is unenforceable because these requirements have not been complied with, the master cannot object if the servant leaves before the expiration of the time specified ; and the servant, if dismissed before that time, has no right of action on that account, though he is entitled to be paid a reasonable sum for such work as he may have actually performed. At or before the time of signing, the document may be stamped with an adhesive 6d. stamp, otherwise it must be impressed at an Inland Revenue Stamp Office within fourteen days from the date of the first signature. The effect of not properly stamping an agreement is that, if either party wishes to enforce the agreement, he will not be able to use the written document as evidence of it, except under a penalty of £10 in addition to the duty originally payable. An agreement for the hire of an “ artificer ” or “ labourer ” is specially exempted from stamp duty.

The period for which a servant is engaged depends upon the terms of the contract. Where the contract is indefinite, it is presumed to be for a year, and if it is continued after the year it is

presumed to be for another year, and so on. The mere fact that wages are paid quarterly, monthly, or weekly does not *necessarily* alter the presumption that it is a yearly hiring. Both the period of service and the time at which wages will become due should be definitely stated, but where nothing is said as to the time of payment, wages will be payable at the end of the period or periods for which the servant is engaged—whether weekly, monthly, quarterly, or yearly. But where payments have in fact been made quarterly or at other periodical dates, that fact would, notwithstanding that the hiring is yearly, be sufficient to warrant a jury in inferring that there was an agreement that the wages should be so paid. In certain employments the time is fixed by custom.

Where a servant is *not* engaged for any definite period, he is to be paid by the hour, day, etc., his wages becoming due at the end of each complete hour's or day's work, although as a matter of fact they may be paid only at the end of a week or other period. Where payment is by the job, the workman is not, in the absence of special agreement or custom, entitled to payment until the completion of the work; and, if the work is not completed, the employer might, in certain circumstances, be justified in not paying any wages at all. For extra work, an employee is not entitled to special remuneration unless the work was distinctly outside the scope of the employment for which he was engaged.

The Truck Acts provide that the wages of a workman, i.e. a person engaged in manual labour, must be paid in coin (or other legal tender money), except by his consent, and the deductions which may be made therefrom are strictly defined by statute. Deductions for bad or negligent work, for instance, are legal only if specified in the contract, and fines can be deducted only if so specified, or if the particulars are set out in a notice kept in some place in or about the workshop where it may be easily seen, read, and copied. Every employer should make himself acquainted with the provisions of these Acts, which are of a more comprehensive nature than is frequently supposed. Some of the provisions are special to certain trades and circumstances, and it is impossible to indicate them fully here.

It has been held that a servant is bound to obey his master's orders, no matter how inconvenient and unreasonable, provided they are lawful and within the scope of the servant's employment.

He is not, however, bound to risk his life in his master's service. He must also exercise reasonable care and skill. The acceptance of employment implies the possession of a certain amount of competence to perform the work undertaken. The amount of skill to be expected must, of course, depend to some extent upon the nature of the work, the remuneration to be paid, and other circumstances. The employer, too, must bear his share of the responsibility, for, if he knowingly engages a man to do something which the man has never done before, he cannot complain of incompetence. It should be borne in mind also that an employer can generally be compelled to indemnify his servant against all responsibilities incurred by him in the course of his employment, when acting in pursuance of the employer's orders, expressed or implied.

The length of notice required to terminate an engagement should be stated in the agreement in all cases, unless it is to be governed by custom. In the absence of express stipulation, it has been held that a clerk or commercial traveller is entitled to three months' notice. But, in the case of clerks or other servants engaged by the week or the month at a weekly or a monthly wage, a week's or a month's notice (as the case may be) only is necessary. As a general rule where the engagement is determinable upon a "reasonable" notice, such notice may be given at any time; but an engagement for one whole year, and so from year to year as long as the parties may please, can be determined only by a reasonable notice ending with such year. Although an employer may give wages in lieu of notice, it is not open to an employee to do the same thing.

Where an engagement is for a definite period, no notice is required to terminate it at the expiration of that period. A master may dismiss a servant without notice for, *inter alia*, the following reasons: disobedience to orders properly given, immorality, drunkenness, dishonesty, gross negligence, absolute incompetency, claiming to be a partner, conduct incompatible with his duties, permanent disablement through illness (mental or physical), or fraudulent concealment of some material fact at the time of his engagement. The receipt of an illicit commission by a Company Manager has also been held to be a justifiable reason for dismissal. An employer need not state why he dismisses a servant, but, if the servant brings an action for wrongful dismissal, the employer will have to justify what he has done. In certain circumstances, an employer dismissing a servant

CHAPTER III

Office Accommodation—Importance of suitable situation and arrangement—
Effect on efficiency of organization—General equipment of Office, drawing
special attention to modern labour-saving devices, card and loose-leaf
systems, calculating machines, etc.

OF primary importance in connection with office organization and management is the question of office accommodation, and, in many quarters, [the extent to which efficiency of organization is hindered by the inappropriateness or insufficiency of physical accommodation is not adequately appreciated. In the establishment of a new business, very careful consideration should be given to the selection of a suitable position for the office. It is quite customary to find that banks and insurance companies, as well as some other large concerns, select very central positions upon which to erect imposing and convenient offices. Recent years have shown the increasing importance of this factor in establishing, in a purely material sense, the stability of these undertakings. But it is not only businesses of this description which find it useful to pay due regard to the question of the site upon which to conduct their work, though necessarily different factors must be considered in connection with different businesses. In these busy times, thought must be given to accessibility to customers. The channel through which inquiries (which may lead to purchases) are directed may be governed by nearness to purchasers' own premises, or to such places as may be convenient to their buyers or principals in their daily visits to their exchanges, etc. It is undoubtedly this consideration which has led to special centres being largely patronized by firms doing a particular class of business, especially where inspection and comparison of samples as well as prices are necessary. For internal time-saving, too, it is important to consider the proximity of banks, post offices, the trade exchange—in fact, of all places to which it may be necessary to pay daily, and even more frequent, visits. (It is false economy to endeavour to save a few pounds per annum by placing the office in some cheap but out-of-the-way locality which will necessitate loss of valuable time every day on the part of principals and clerks in journeying to and from the centres of business activity?) This

consideration has a distinct bearing also upon the number of office assistants required.

If the business is so large as to make advisable the building of its own offices, then the Manager must of necessity devote personal attention to the consideration of plans in consultation with the architect who is employed, and not allow the purely operative departments to be the only ones to be considered. The fact that the architect will receive a commission on the gross cost of erection has to be borne in mind, and every care taken to see that there is no unnecessarily lavish expenditure incurred. Provision must be made not merely for the business of to-day, but for the probable extensions required in the future, as there are few more costly things than to find such buildings (specially planned for the accommodation of a particular business) outgrown, entailing a forced disposal and the provision of a larger building. No one should contemplate building unless the business is of an assured character, and, in this case, accommodation for extension should always be reserved and the selection of a site governed by this wise prevision.

In the bulk of offices, however, it will not be the building but the renting of office accommodation which will be the subject of consideration, and here to some extent the Manager may find his hands tied by questions of locality quite as much as suitability, though it will generally be found that landlords are willing to make any reasonable alterations to their premises required by good tenants. If the business is of even moderate magnitude, numerous small rooms are not desirable and are distinctly bad from the supervision point of view. [Separate rooms may be necessary for the Manager and for some of the chiefs of departments, particularly those whose work necessitates interviews with callers, etc., but, where possible, the general office staff should be placed in one large room where oversight can easily be given by the Chief Clerk. Where privacy for interviews is necessary also for this official, it may be found useful to have his office raised above the level of the general office, from which it should be partitioned off with glass, this giving the desired confidential character to interviews whilst not interfering with the regulation and supervision of the staff.

Light, ventilation, and sanitation are matters which should be carefully considered, especially when it is remembered that the greater part of the day's work will be done in the office, and it cannot

be expected that the best results will be obtained unless the conditions are favourable. Natural light should be available during the ordinary day time, as work cannot be done with the minimum of discomfort, and, therefore, the maximum of speed, where artificial light has to be constantly resorted to. The intimate connection between the eyesight and the brain must not be overlooked, and, similarly, the need for proper ventilation and sanitation in offices has an important bearing on efficient organization and the rapid transaction of work.

[It is very desirable that the telephonic instruments should not be in an open office where all communications can be heard both by the staff and the callers. There have been many instances of important business information leaking out owing to messages having been overheard in this way. Where the telephone cannot be placed in a separate room, from which an extension bell can be laid into the general office, it is easy to encase it so as to ensure the desired privacy. It will be found desirable also that a place should be provided for the correspondence department where the click of the typewriters will not disturb the other clerks. The best position for this work will generally be found to be an ante-room through which callers desirous of seeing the Manager must pass. The correspondence clerks are chiefly in touch with his engagements, and know what people he should see and who should be "diverted into other channels," this being by no means an unimportant duty in connection with large undertakings, as the expedients employed by enterprising travellers desirous of seeing the chief are both numerous and ingenious.

On the other side of the Manager's room is the most convenient place for the Chief Clerk or Principal Assistant who will overlook, as previously described, the general office. The arrangement of the latter will necessarily depend to a great extent upon the size of the staff and the magnitude of the business, but, wherever possible, the various departments should be marked off, not, of course, by walls but by physical demarcation of counters, railings, or even low and glazed partitions. By this means, two objects will be served. The books and documents appertaining to each branch will have little chance of becoming mixed, and each sub-chief will have his "sphere of influence" properly defined. The chaotic appearance of many offices means more than untidiness. It is

“ the outward and visible sign ” of the “ inward ” frame of mind which does not deal promptly with each matter as it arises. An untidy office implies waste of time. If books are not restored to their proper places when temporarily done with they have to be looked for when required. When letters and other documents are not properly filed, the time of the clerks and the Manager is wasted when these are urgently wanted for reference purposes. Many Managers get into a habit of keeping on their desks papers which they know they will want in the course of a few days in order to prevent the possibility of being kept waiting for their production. This is a habit which grows, and which should be sternly fought against. The correspondence clerks should be encouraged to pride themselves upon the rapidity with which everything can be produced and the Manager should aim at an ideal in the shape of a clear desk. The Manager of a large engineering works in the Midlands employing several thousands of men makes it a principle never to keep on his own desk anything which requires dealing with, but refers every such letter to some one of his assistants, at the same time insisting upon personally signing every letter which leaves the establishment. When there is an efficient system of “ following up ” such letters, there can be no doubt that this method of making each sub-chief responsible for matters affecting his own particular work has an excellent effect in developing a sense of individual responsibility.

The cash and book-keeping staffs should be adjacent, though the former should be partitioned off, so that there is no indiscriminate and unnoticed entry into their “ sacred precincts,” and the cashier should have his own safe distinct from the general office safe or strong room. Another portion of the room should be allotted to the orders and supplies clerks, another to the sales and invoice department, another to the wages, and yet another to the cost clerks and estimating assistants. It will be seen that this arrangement has reference to a manufacturing undertaking of a fairly extensive character. In smaller concerns, however, the same principle should apply, and if there is but one clerk dealing with each separate branch of the clerical work an effort should be made to give him his own fair share of the office accommodation, for the tidiness and the order of which he may be held responsible. It will not be found advisable, even if the drawing-office staff is

limited to one, to house it in the general office. There is an amount of fascination in a drawing growing into shape which has a wonderfully time-wasting influence upon some clerks, and it is well to limit temptations.

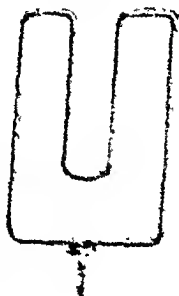
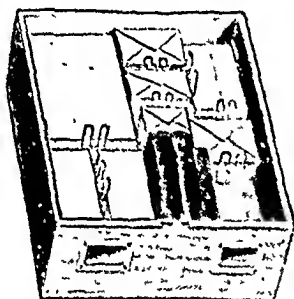
Similarly, the travellers should be assigned separate quarters of their own, as he is a poor traveller who does not amass—even in the course of one day's peregrinations—some amusing incidents which, if recounted in office hours, will be far from having an expediting effect upon the production of that Balance Sheet or those statistics which are anxiously awaited in the Manager's room.

Some take the view that counters to which inquirers and callers come should not permit of open inspection of the office beyond ; that if the counter is an open one, a short partition should run behind it so as to limit the view of the public to the clerk in immediate attendance ; or the counter may be bordered with frosted glass, pierced with inquiry windows backed by a screen. There are obvious objections to outsiders being able to read documents that clerks are handling ; but, subject to this, it is difficult to understand this passion for the mysterious. A well arranged, well kept office is a great asset on account of the favourable impression it produces.

At one time practically all modern office furniture was of American origin. Now our own manufacturers are second to none, but the design should always be carefully considered. If there is ample room for store cupboards, book racks, filing cabinets, etc., desks fitted elaborately with drawers should not be purchased—the drawers are too convenient, especially if the hour is nearing the end of the commercial day, for the receipt of books and papers which should be assigned other and more appropriate receptacles. There is no necessity for each clerk to have his own pile of letter paper, memo. forms, etc., getting crumpled and made useless in his drawer. A tear-off block is sufficient for ordinary purposes and printed stationery is an expensive form of scrap paper. The ordinary sloping desk with a single line of drawers under it, mounted on spindle legs which will not harbour dust or prevent free access of ventilation, will be found to be the best, and two or three inquiries will bring in reasonable estimates for their supply. If, on the other hand, the office space is very cramped, desks with a set

of drawers at each end will be found useful for store purposes, and, of course, correspondence clerks require a supply of stationery that is readily accessible. All drawers so used should have exterior labels giving the name of the main class of material to be found inside. If stationery and sundries are thus kept, they should not be placed loosely in the drawer, as, with its necessary opening and shutting, they will get intermingled and astray. Store drawers should be fitted with properly spaced wooden divisions. Some office supply stationers have for this purpose wire divisions which can be pressed down into their places by means of their sharp-pointed feet.

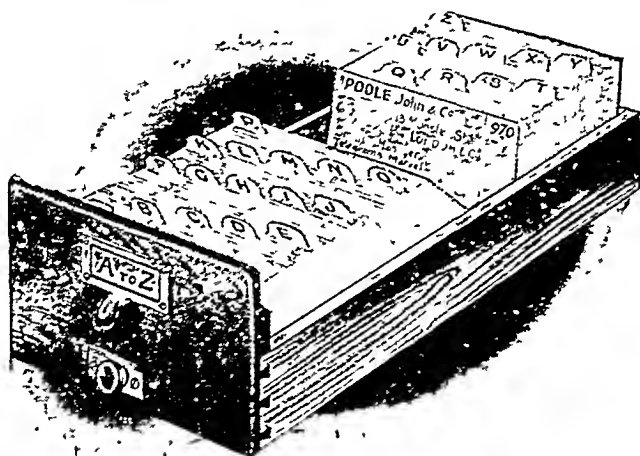
Speaking generally, storage in drawers is not satisfactory, and, as it is better to aim at the equipment of an office in a more modern



provides not merely a place for catalogues, but for each catalogue its own place.

Types of filing cabinets are dealt with in the chapter devoted to correspondence, but the card-index system may be mentioned here, as it is applicable to every department of office work, and not merely to correspondence.

If the card system is regarded merely in its indexing capacity in comparison with the old form of book index, it has several very distinct advantages. One of the difficulties in connection with the book index is that it is always being outgrown. It is not possible



to substitute new entries for those which have ceased to be of use owing to the particular thing indexed being finished with. The indexing of one particular matter may, therefore, be spread over several index books. In the card system, everything appertaining to the one matter will always be found together, as another card can always be inserted. Dead matter can be removed with ease, as it only implies taking away a card. With some kinds of indexing, however, this facility of removal is a distinct drawback ; hence it is important to use discrimination. Being self-contained, the card system is capable of indefinite expansion with the growth of the business itself, as the drawer cabinets can be added to at any time. The cards can always be re-classified and re-arranged, and tabbed in different colours for urgent attention or any other purpose. The arrangement may be alphabetical (by the names

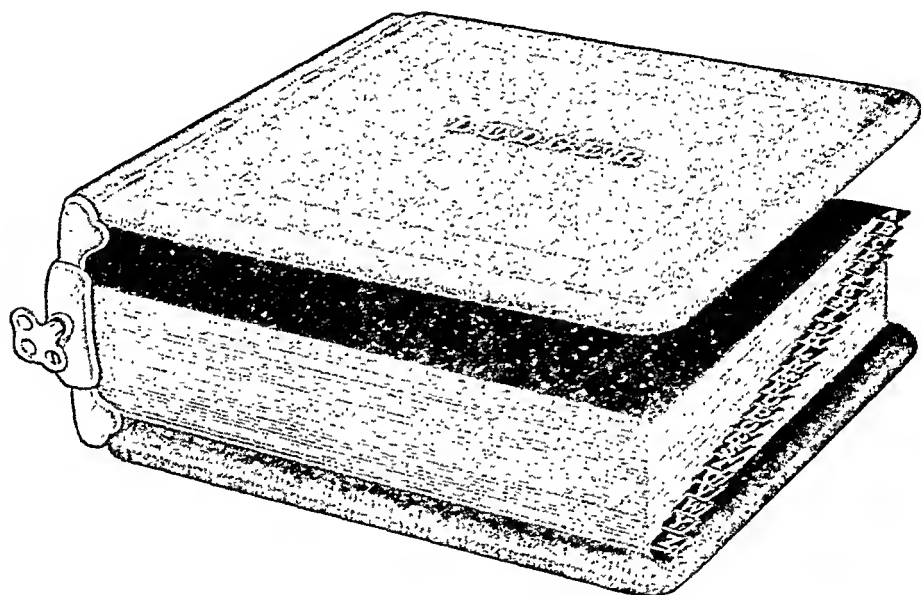
of customers or of articles dealt with, etc.); chronological (as in the case of bills to be met or accounts to be collected); geographical (corresponding with the routes of travellers' journeys); or on any other desired plan. While serving the purpose of an index better than any book, it may be something more than an index. The card system is, in many cases, an index *plus* the thing indexed, and the uses to which it may be put are many and varied. It may be adopted for recording particulars of customers' credit, for records of contracts, for employees' records, for advertising accounts and records, travellers' reports, etc.; and many firms are using it extensively in preference to book ledgers for customers' accounts. For the purpose last named, cards may be used as large as 8 by 5 inches, ruled on both sides. For some purposes the "Bizada" and "Kardex" methods of arranging cards are preferable to drawers.

The loose-leaf ledger is based on the same general idea, and many features are common to both systems. The advocates of the card ledger claim that the latter is even more mobile and easy of reference than the loose-leaf system, and, meeting possible objections, they hold that such a ledger is no more open to falsification than the ordinary book, and point out that a ledger is never used by itself but only in conjunction with other books. The rod which passes through the cards may be had with a locking arrangement if desired, and with reasonable care there should be no danger of cards being accidentally lost. One of the most important advantages of the card and loose-leaf systems is the saving of the time periodically consumed in the opening of new ledgers, with the consequent transfer of accounts from the old to the new books.

The loose-leaf or card ledger, once started, is practically perpetual. The position of an account in the ledger is always the same, rendering an index almost unnecessary; there is no need to estimate the space to be left for each account, as in the bound ledger, with the waste of stationery on the one hand and the over-running of the allotted space on the other, which is so characteristic of that method, because further sheets or cards can be added to any particular account as they are required; filled leaves can always be removed, reducing the bulk of the ledger to what is absolutely necessary for current accounts.

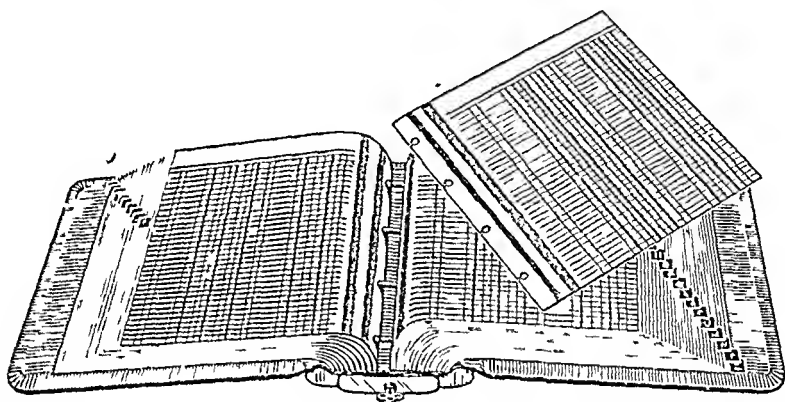
The appearance of the loose-leaf ledger is somewhat different from that of the ordinary style of book. (See below.)

The covers are very substantially constructed, as might be expected of a "perpetual" system. The back of the book is telescopic to allow of a varying number of pages and contains a lock to guard against accidental or fraudulent abstraction of the leaves. The latter may be had in various qualities and rulings, with either



a paper or linen hinge which is pierced with holes through which the posts or straps in the back of the covers pass. With this system, it is neither necessary nor desirable to have so long a page as in the bound ledger, and, as both debtor and creditor sides of an account fall on the same page, the shape of the leaf is somewhat different and the size generally smaller than in the old style. This contributes to convenience in handling, and compensates for the extra weight of the covers, which, with their leather covering and rounded corners, are by no means clumsy in appearance. As leaves of an account are filled, they can be transferred to a "Transfer Ledger" (constructed on the same principle but in a cheaper binding), in which the account takes the same position as in the original book. Whilst various methods of indexing may be employed, perhaps the most useful plan is to designate each account by its initial letter and a number, the index leaves (bearing lettered tabs and

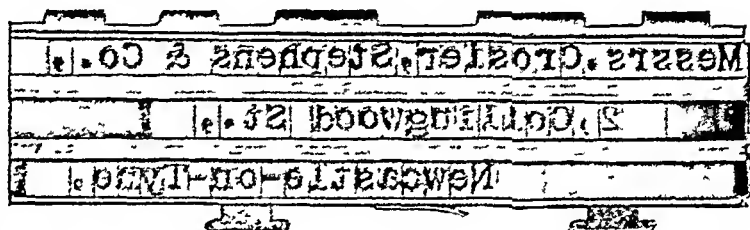
distributed throughout the book) being used to carry the names. The accounts under each section of the index would commence at No. 1, and the sheets belonging to a particular account would bear a subsidiary number. In other words, a number would be allotted to each account placed under the several letters of the alphabet, and, to prevent any sheets getting astray, each sheet would bear a number commencing at unity for each account. Thus, the sheets of Allen's account might be A1-1, A1-2, and so on. The absence of any sheet would be at once noticeable. The fraudu-



lent substitution of one sheet for another may be guarded against in several ways, viz. : (1) by the lock already mentioned ; (2) by having a paper with a special water-mark ; (3) by having the firm's name printed on each leaf ; (4) by having each sheet machine-numbered, and a register kept of their exact whereabouts. The sheets should also be in charge of some responsible person. It is claimed for this system that, although the first cost is somewhat heavier than that of ordinary books, when the expense is spread over a number of years it compares favourably with the cost of any good account book, there being nothing but leaves to purchase after the first outlay. The advantages are incontestable, so long as the book-keeping staff are properly trained.

In connection with the card and loose-leaf systems, other labour-saving devices can be used with advantage in large offices. For instance, the name and address of every customer may be set up in type or be moulded in a die, and be retained in either form, so that it is available not only for stamping the heading of the ledger account but also for addressing purposes, or for stamping

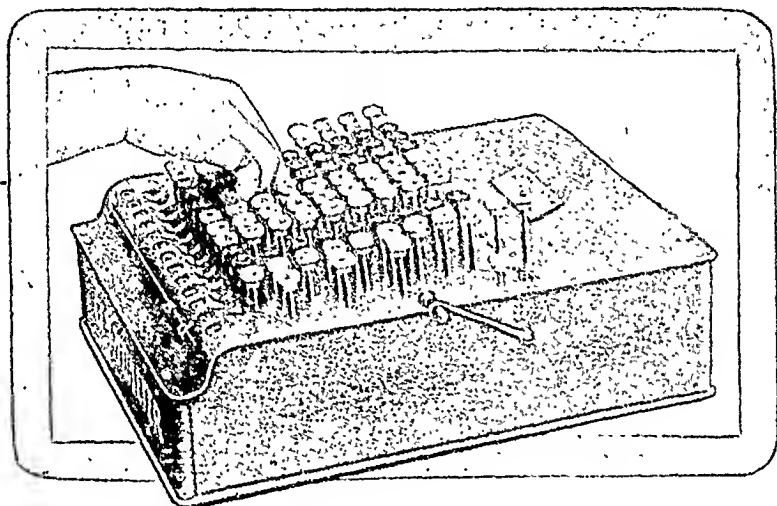
any document which requires the customer's name and address. The *modus operandi* is as follows: The stereotyped addresses are kept vertically in trays, like the cards of a Card Ledger; when required, they are taken out and inserted in a machine of the type of the "Addressograph," which (practically automatically) prints them off at the rate of about 1000 per hour, repeating any that it may be desired to repeat, and skipping any that it may be desired to skip. The standard plate is in five lines, but any one (or more) may be blocked out if desired; and the machine can be adjusted to print names in consecutive lines on the same sheet, thus admitting of the rapid preparations of "skeleton" pay-rolls, lists of Ledger Balances, etc.



The great saving of time and tedious labour effected by the use of calculating machines is not yet sufficiently realized in commercial circles in this country, although for many years such machines have been in use amongst actuaries, astronomers, and others, and in general use in all large, progressive businesses. The great bulk of business calculations are, of course, additions; accordingly adding machines are ordinarily the first to be introduced. The Burroughs Adding Machines and the "Comptometer" are the most generally used and the most generally useful. In many cases, however, multiplication and division are involved upon a large scale. Any adding machine can multiply. They can also divide; but for the latter purpose, at least, such machines as the Britannic, the Monroe, etc., are much more effective. Attention may also be directed to the "Dalton" and the "Sunstrand," which, on account of their simple keyboard, are very easily mastered. For special classes of calculations, slide rules are also most useful if handled with care. Mention must also be made of Burroughs Book-keeping

Machines, which are admirable in every respect. These are, however, perhaps too costly to be used as widely as they should, although they would soon repay their cost even in connection with quite moderate-sized concerns. More detailed information under this heading will be found in the author's *Office Machinery and Appliances* (published by Gee & Co., Ltd.).

If there is reason for saying that calculating machines are too little known, the same can hardly be said about typewriters. The



office which nowadays conducts its correspondence by means of the pen is antiquated indeed. Not only on account of the speed (where the operator is worth having) has the typewriter an immense advantage, but the appearance of a properly typed letter is greatly superior to the general run of pen-written documents. The term "properly typed" is used advisedly, for perhaps in no other department of commercial life is the market so over-run with potterers. A badly typed letter, whose spelling is equalled only by its punctuation—or the want of it—is the reverse of creditable to the firm sending it out. It is well to bear in mind, too, that a typewriter is not a toy, but a somewhat expensive and intricate piece of machinery, and that it *pays*, therefore, to have an efficient typist even at somewhat above the minimum salary. As to machines, there is a sufficiently wide choice. There are now on

the English market upwards of twenty makes, each claiming some peculiar advantage for itself. The combination of all the virtues in one machine is perhaps a "consummation devoutly to be wished" hardly obtainable at present. The general features of the typewriting machine are too well known to need description, though some remarks on the different types of machines may not be without service.

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The battle of the typewriters wages round the questions of single *versus* double keyboard, ribbons *versus* pads, visible writing *versus* some other advantage, type-bars or—something else. As regards the keyboard—the arrangement of the keys in relation to the letters of the alphabet—nearly all the machines adopt what is known as the "universal" arrangement of letters. At one time many patterns of typewriters had a separate key for each character, but the modern tendency is in favour of making one key do duty for two or more characters by means of a "shift" key, or keys. The use of shift keys permits of a more compact keyboard, a less number of working parts and a consequent saving in cost. The method of inking on most machines is by means of a ribbon against which the types strike and through which the impressions are produced. The Elliott-Fisher is specially constructed for writing in *books*, and will make a carbon copy of a letter in the letter-book or of an invoice in the day book at the same time as the letter or invoice is being written. Many machines are fitted with more than one style of type.

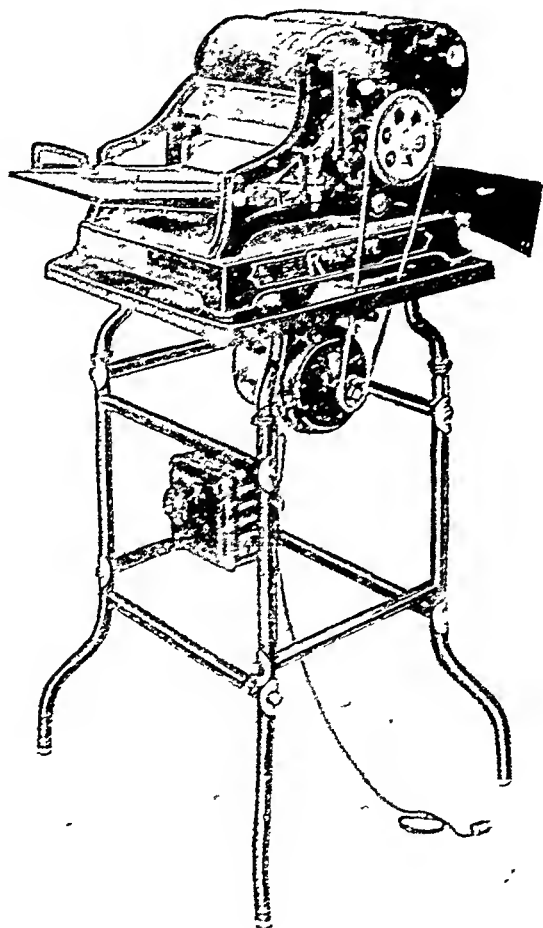
The "Noiseless" typewriter was introduced into this country a few years ago, and electric typewriters which have recently been placed on the market are certainly worth attention, particularly when a large number of carbon copies is desired. All typewriters are inclined to be noisy, but if a rubber mat be placed underneath the machine it will be found to reduce this noise to a minimum. The typists will appreciate also the relief to the tips of the fingers obtained by covering the letters on the keyboard with rubber tips, which, duly inscribed with the name of the letter, can be purchased for a small price from any typewriter agent.

Another very useful machine is the Dictaphone (the Dictaphone Co., Kingsway, W.C.2), a sort of "super-phonograph," into which a manager can dictate his letters, instructions, etc., in his own

time, and at his own pace, leaving them to be reproduced by the typist (who meanwhile has been engaged upon other work) at whatever time may be found most convenient. The Dictaphone has only to be better known to be more generally appreciated.

Not the least important feature connected with the remarkable growth of the use of the typewriter is the greater facility with which copies of an original document can be obtained by the aid of carbon sheets, thus for many purposes obviating the necessity for obtaining press copies. For business purposes, the reproduction of hand-written circulars and similar matter is now practically obsolete. On the other hand, for the duplication—or, indeed, for the indefinite multiplication—of typewritten originals there is a wide choice of apparatus. Even lithography can be utilized in connection with the typewriter by using a lithographic ribbon and transfer paper. But the more usual method is that known as duplicating or mimeography. The paper used for the original has a waxed surface which is cut by the types of the machine (or by a stylo if done by hand) in such a way as to allow the ink supplied by a roller to pass through it. Ordinarily, the plan is to stretch the stencil in a movable frame, the paper for the copy being placed underneath; and where there is no great amount of copying work to be done this method answers well enough, especially if an automatic (self-lifting) frame is used. In that case the paper is placed under the frame, which is held down by one hand while the ink roller is passed over it by the other. When released, the frame rises, the printed copy is taken off and the process repeated. But where a good deal of copying is required one of the rotary duplicators now on the market will be found more efficient and a great time-saver. One of the best of these machines (the Roneo) is thus described: "A metal frame supports a cylinder of thin, perforated steel. On the outer surface of the cylinder is stretched a linen ink pad, and over this is placed a stencil. In the earlier models, the pad is inked by a felt roller resting in an ink reservoir suspended between the two sides of the frame. . . . The ink is supplied automatically after the reservoir is once charged, and there is no risk of the ink coming into contact with the fingers, or of the paper getting soiled. . . . The cylinder is rotated by a handle, or motor if desired. The paper fed into the machine

is gripped by a rubber impression roller, which presses it against the stencil as the cylinder revolves, and the sheet, perfectly printed, is then automatically discharged on the other side." A cyclo-meter can be attached, showing the number of copies printed. Sixty copies per minute is a good average for the hand-worked



apparatus. With a self-feeding machine driven by foot, motor (connection with an electric lamp is sufficient) or other power, this speed can be sensibly increased. It is claimed that anything up to five thousand copies can be produced from one original. It will be seen at once that such an apparatus will be a great boon in many offices for the rapid production of circulars, prices current,

specifications, market reports, etc. In some respects, it is better than the printer. It is, generally speaking, more ready; and, if necessary, the work can be done under personal supervision. Circulars produced on the best machines, the names and addresses being inserted separately with ink to match, cannot be distinguished from original letters—an obvious advantage. For better class work the Gestetner duplicator and the Melin machine should be considered.

The rotary principle, so conducive to speed in the matter of duplication, has been applied with good results to ordinary press-copying, and is especially useful in cases where the system adopted is that of filing with each letter received a press-copy of the reply sent. The tissue, instead of being bound into a book, is placed in a continuous roll on the machine. The letter to be copied is passed through by a turn of a handle and the copy (automatically detached) is ready for filing. This means a very considerable saving of time as compared with the ordinary style of press.

No up-to-date office is complete without means of inter-communication between the Manager and the various sub-departments. There are several methods in vogue which are a great improvement upon the old hand-struck gong. The least expensive is the provision of an electric bell in the outer office which is connected with a small bell push on the principal's desk, there being a recognised code of signals, one ring being for the shorthand clerk, two for the principal assistant, three for the office boy, etc. If there are several chiefs using bell signals, each bell communicates with an indicator in the general office, on which indicator a disc drops which is assigned to the particular chief who has rung. This method is, of course, useful only as an indication that the chief requires someone to go into his room, and a good deal of time and unnecessary passing in and out will be saved by the adoption of a method which enables the message to be spoken. Some offices still patronize the old-fashioned speaking-tubes; but these are most insanitary, and cumbersome in other ways. A far better method is to adopt one or other of the various types of house telephones. Beyond all question one of the best of these is the Dictograph. Telephones in rooms should always be supplied with a silencer, to prevent the person at the other end of the wire from overhearing any ordinary

conversation that may be going on in the room while the telephone is being used.

Those desirous of keeping in touch with the latest developments in office machinery and appliances will find that membership of the Office Machinery Users' Association, Ltd. (by guarantee), c/o London School of Economics, Houghton Street, Aldwych, London, W.C.2., is an excellent investment.

CHAPTER IV

Division of Responsibility—Principles underlying Sub-division of Work and Arrangement of Duties of Staff—Division into Departments—Branches—General Systems of Control and Internal Check—Cash Checks

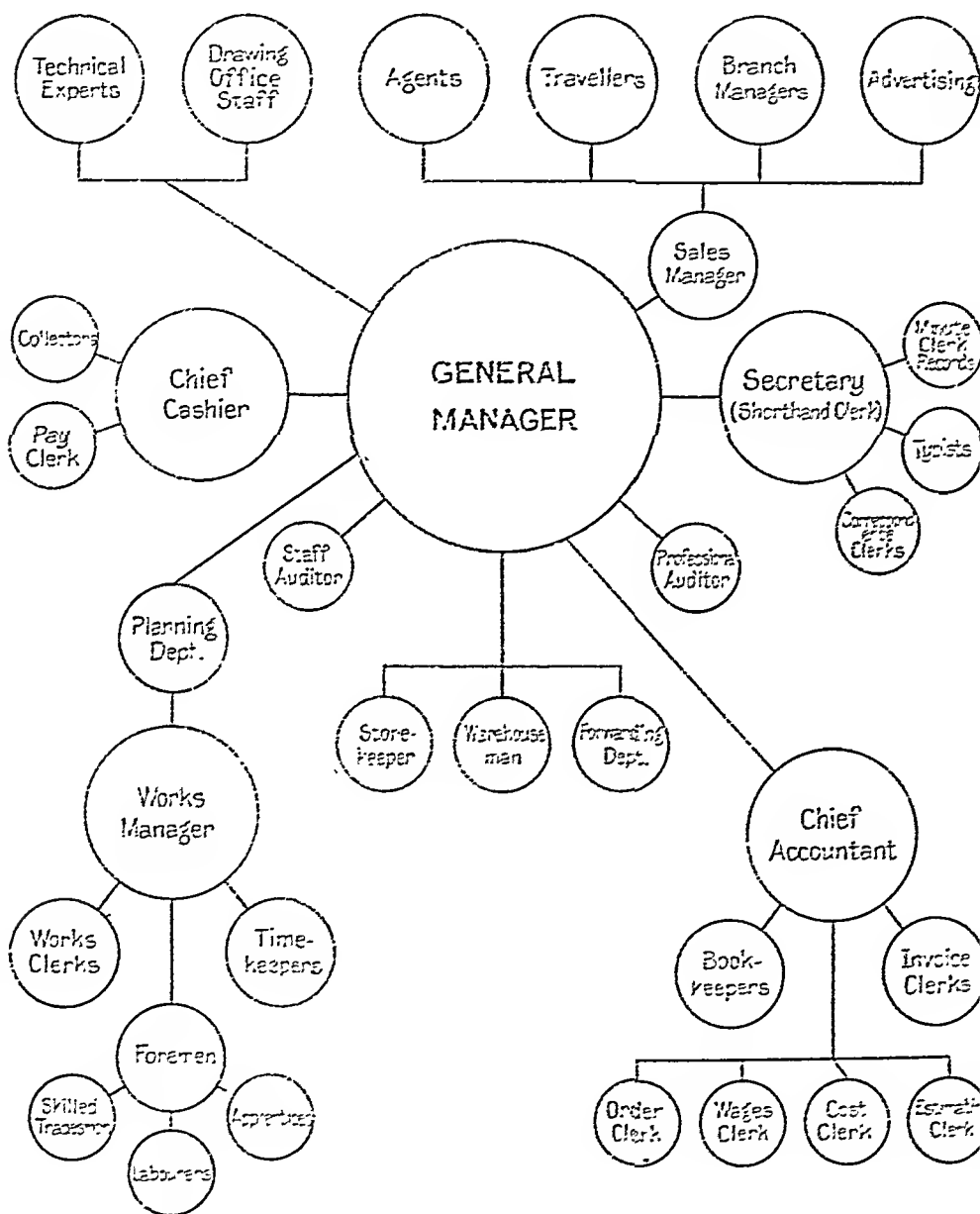
IN all except very small offices it is of paramount importance that there shall be a proper and defined division of responsibility. Even in small concerns, where the clerical staff is limited to two or three, care should be taken that each one is held entirely responsible for certain portions of the work, rather than allow the same class of work to be done indiscriminately by whichever clerk happens to be disengaged. It may be urged that, in a small office, it is absolutely necessary that each member of the staff shall be able to take up any portion of the work in the absence of another clerk, but the experience necessary for this is better acquired by changing the work, say, at monthly intervals rather than by encouraging the slipshod arrangements which invariably result from a lack of proper definition of individual duties.

In large undertakings, this clearness of division of responsibility must commence at the very highest positions in the office. More firms than would acknowledge the fact, or are even aware of the fact, suffer appreciably from the results of friction and rivalry between heads of sub-departments, and it behoves the successful Manager to obviate justification for friction by laying down clear definitions of the work assigned to each of his immediate assistants, whose spheres should not be allowed to overlap.

Different businesses have different methods of defining the responsibility of their assistants or of organizing sub-departments, but the chart on the following page gives a system which will be found to work well.

CLERICAL STAFF. It will be seen from this chart that the office clerical work is divided into three main sub-departments, the heads of which are directly responsible to the Manager for the conduct of their particular portions of the work. The responsibility devolving upon each of these heads in nowise overlaps, and the Secretary, the Accountant, and the Cashier have well defined

spheres and should have equally well defined office accommodation. If the undertaking is a Limited Liability Company, the Secretary



will be responsible for certain statutory duties, more fully dealt with in the chapters devoted to Company work, and, in this case, he will be directly answerable to the Directors for the execution of such work. He will deal with the recording of minutes and other

work connected with the meetings of Directors, the register of shareholders and the transfers of shares, and such portion of the correspondence as is purely secretarial. In this chapter and in the next, however, it is assumed that the business is one in which the Secretary is answerable solely to the Manager, and the chart shows that his subordinates take entire control of the correspondence and record work of the office. This work is dealt with in detail in Chapter V.

The Accountant holds a position of the utmost importance, and upon the accuracy and lucidity of the work of his department much depends. He is not merely responsible for "keeping the accounts" of the firm, but should also be of the utmost service to the Manager in keeping a careful eye upon economical production and administration. It is his paramount duty to see that all the books are kept up to date, so that the most recent information on all details of the business is at hand for the Manager's information. It is not sufficient nowadays for the Accountant to be able to speak authoritatively and promptly as to the financial condition of the firm as a business undertaking; he must be in a position to advise as to the financial aspect of every important step, and this not from a theoretical point of view, but based upon actual experience of the results obtained from similar work which the firm has previously undertaken. Success in manufacture is obtained by careful study and improvement of each individual detail, and similarly the most successful Accountant is he who makes his figures illuminate the cost of production, administration, or transit, so that the Manager or Technical Adviser can see at once where undue expenditure is taking place. Some Works Managers resent very much what they call undue interference in their province on the part of the Accountant, and it must be admitted that many Accountants are somewhat apt to look upon their work as the all-important part of commercial undertakings. This is a mistake, and the Manager must make every effort to see that his Works Manager shall realize the very great assistance his particular department will derive from the analytical figures of the Accountant, and how he will be helped to reduce his costs; whilst, on the other hand, the Accountant should be encouraged to carry out his work in a tactful manner, without any unnecessary treading on the corns of practical men. The Accountant of to-day is a very different individual from his predecessor, the

old-fashioned double-entry book-keeper, and there are numerous examples of the new school taking an enthusiastic delight in the compilation of useful commercial statistics and assisting, by their scientific analyses of the minutest details of the firm's financial transactions, in guiding the Manager's decision on points of policy.

Books and forms are dealt with in the various chapters upon the financial arrangements, but it may not be out of place here to allude to the great usefulness of interim balance sheets. Where it was once customary for a firm to continue trading for twelve months without having any very definite idea of how things were really going, the up-to-date Accountant has his books drawn up in such a manner as to be able to present quarterly and monthly rough balance sheets, so that his Manager may see the drift of events. Such undertakings as get their receipts in cash can have even weekly returns, and there are many businesses employing hundreds of hands whose Managers have, each week, a return showing estimated profits sufficiently accurate for all practical purposes. The Accountant's staff consists of book-keepers or ledger clerks, who deal with the main books of the firm and into whose hands come the final results of the work of the other assistants in the Accountant's sub-department; the invoice clerks, who render accounts for work done or goods sold by the firm; the orders clerks, who deal with the ordering of raw goods or material used by the firm in its manufactures or works; the prime cost staff, who analyse the actual cost in material, labour, and establishment charges of each article manufactured; the estimating staff, who deal with the quotations and tenders which the firm sends out for work which is in the market; and the wages staff, who check the time sheets emanating from the Works Department, etc., and prepare the wages sheets for payment by the Cashier's staff.

It will be noticed that this scheme of division places under the Accountant some work which is, in many businesses, treated as entirely separate from the Accountant's Department, but, provided a man of the right stamp is the Accountant, there can be little doubt that the Manager will find great advantage in securing the assistance of a master of figures in the supervision of this work, upon which so much of the economy of the business depends. It should not be sufficient to extract a careful and accurate analysis of the result of each accepted quotation or tender, such result being

divided properly into each item of material, labour, capital charges, forwarding, etc., so that the Manager can see at a glance wherein the profit lies, but every quotation or tender which has been unsuccessful, owing to more favourable offers having been made, should be re-examined to see whether a mistake in calculation has occurred, whether the margin of profit could not have been reduced so as to secure the order, or whether there is not some item in the quotation in which a reduction of the cost of production must be made if the competition, which has been successful this time, is to be beaten in the future.

The Cashier's position, though his staff may be small, is one of great responsibility, and its occupant must possess the absolute confidence of the Manager. All money except, of course, petty cash should pass through his hands, though the certificate of the Accountant should be necessary for all payments. In many firms, the position of Cashier is retained by a relative of the Principal, but, in any case, he should be guaranteed in one of the numerous societies dealing with this class of business. Similarly, it will be found advisable to guarantee every member of his staff, the premium being so small in comparison with the undoubted security thus obtained that there is no excuse for a Manager neglecting thus to protect his firm against the possibility of heavy loss through dishonesty. The Cashier will be in charge of any collector or collectors employed, and will also deal with the travellers in connection with the collection of accounts, if such work is done by them. Payment of wages and salaries will also be made by the Cashier's Department, after certified wages sheets have been received from the Accountant's Department.

WORKS MANAGER. The Works Manager must have absolute and undivided authority in the Works, and not even the Manager himself should give orders there except through the Works Manager. The necessity for this supreme control, so far as the outward issue of orders to employees is concerned, will be readily understood by all who have had the handling of large bodies of men, and the discipline of a Works has much to do with the quality of its productions and the rapidity of its output. It is not sufficient for the Works Manager to have a thorough and practical knowledge of his business so far as the methods of manufacture are concerned, to be thoroughly acquainted

with the best and most modern types of labour-saving machinery, to be able to work out personally the numerous mathematical problems entailed in his particular branch, but he must be possessed of those special, yet unnameable, personal qualities which enable him to handle with successful results the workmen comprising his staff. He must be a strict, though scrupulously fair, disciplinarian—a slack Works Manager makes a slack Works, and that word “slack” with such a meaning spells, sooner or later, financial disaster. Workmen are quick to realize the temperament of their chief, and whether the old adage “Like master, like man” will be proved true in a particular Works depends entirely upon the force of personality. Smartness, activity, and punctuality are excellent examples and, in addition, it must be known that there is absolute reliability to be placed upon his word. A promise given *must* be kept, a warning uttered *must* have its threatened result. Effects of order and discipline in a Works are readily discernible. The physical aspect and cleanliness of the buildings, the personal appearance of the workmen, the very condition of the stores will speak with no uncertain voice. Just as it is necessary to take stock of materials in hand and to make sure that they are kept in such manner as to prevent their deterioration, just as it is necessary occasionally to shut down and clean boilers, just as it is necessary to keep machinery properly oiled to ensure easy running, or greased to prevent rusting when temporarily disused, so it is necessary that the intellectual and manual part of the manufacturing “machinery” should be properly catered for. The workmen must have proper hours, otherwise their work cannot possibly be of the best; they must have proper pay, otherwise their physical powers will be lessened; they must be in loyal co-operation with their chiefs, otherwise “scamping” will follow. All these are matters coming within the province of the able Works Manager, though it will be impossible, of course, to ensure that, even where the best conditions obtain, all the workmen will necessarily be of the highest grade. Still, that the conditions are good should be the aim, and every effort should be used to have a good understanding with the men. The rules governing the Works should be carefully considered and clearly enunciated. Some urge that factory rules should be few, but it is infinitely better for the desires of the management to be set forth clearly at the commencement of employment, rather than to leave foremen too

much latitude in this direction, or to be constantly issuing new regulations. The Works Manager has his own clerk, or clerks if the Works are large; timekeepers to record the time worked by each man; foremen in charge of the various branches of manufacture; together with the skilled and unskilled workmen and the apprentices to the different trades. With the possible exception of the clerks or timekeepers, the Works Manager should be entrusted with all appointments in his department.

ENGINEERING ASSISTANTS AND DRAWING OFFICE. The Engineering or other technical assistants should, of course, be answerable directly to the Manager, but whether he should deal directly with the work of the Drawing Office must depend upon the calibre of the Engineering and Drawing Office Staffs in each individual business. In a large Works, the Chief Draughtsman should be as carefully selected as the Works Manager himself, and harmony between the two officials is as greatly to be desired as harmony between the Works Manager and the Accountant. Even the most experienced draughtsman, with the most thorough acquaintance with workshop practice, will get many ideas from men in the Works, but no alterations in work should be permitted until these have been duly passed through the Drawing Office and incorporated in the drawings guiding the manufacture. Apart from the necessity of standardizing the new arrangement, and getting its exact dimensions recorded for future use, needless confusion will result from unauthorized departures from the official instructions conveyed by the drawings.

The Storekeeper and the Warehouseman should each be responsible direct to the Manager, except in businesses of such magnitude that it is quite impossible for the latter to give any supervision to these departments, in which case it will probably be found preferable to place them both under the Accountant. In some firms, it is preferred to place the Storekeeper under the Works Manager, but there are some marked advantages in these two departments being separate, and the Stores being, so to speak, the shop where the Works Manager makes his purchases. It is probable that lack of promptitude and attention on the part of the Storekeeper would be less likely to escape complaint if he were not one of the Works Manager's own staff, and there can be no playing with this work as it has so great an influence on the regularity of completion of orders, with its resultant effects on the continuance of business

relations. Again, if the Storekeeper is not responsible to the Works Manager, there is a better chance of his insisting upon all issues and returns of stores being duly made in the prescribed way.

Forwarding business should be a department by itself, and the work should be entrusted to a thoroughly reliable man, as it will entail much absence from the office premises. Agents, travellers, and Branch Managers will deal directly with the Manager, unless their number justifies the appointment of a Chief Outdoor Manager. Even in this event, however, it will be found serviceable that the Manager himself should devote some time to keeping in touch with this portion of the staff, as by this means he keeps himself familiar with the requirements of his individual customers in particular districts.

Similarly, where the business employs an Advertising Inspector, his work should be dealt with directly by the Manager, though his certificates will be passed on to the Accountant for use in connection with the Advertising Accounts.

It is unnecessary to say much under the heading of Internal Check in the present Chapter, as the subject is treated more fully in Chapters XVI and XVIII, which deal respectively with the division of responsibility and the functions of the staff and professional audits. On the subject of the staff audit, however, which constitutes a system of internal check provided by the undertaking itself, it may perhaps with advantage be pointed out at this stage that, whatever the precise nature of the business may be, the following fundamental principles must in all cases be complied with in order to render the system efficient—

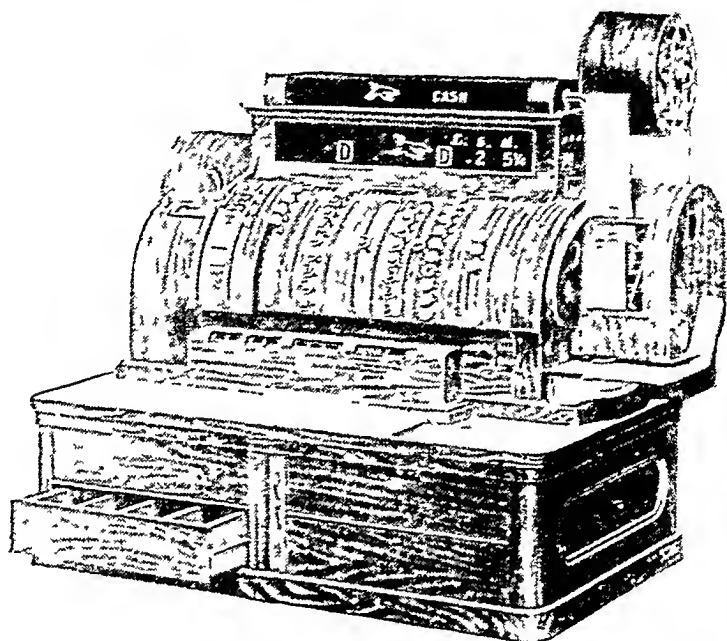
- ✓(1) There must be a definite division of responsibility, so that in the event of any duties being improperly performed, or neglected, there may be no uncertainty as to who is at fault.
- (2) *Per Contra* no one should be allowed to perform duties which do not properly devolve upon him personally, save in pursuance of express instructions received from a superior who is prepared to assume responsibility for this departure from the general system of internal check.
- (3) All clerical work should, as soon as possible after its performance, be checked by another member of the staff, and no two clerks should check each other's work. Thus,

supposing there are four clerks in a department, viz. A, B, C, D, the rule should not be for A to check B's work, B to check A's, C D's, and D C's, but rather should B check A's, C check B's, D check C's, and A check D's. The risks of collusion, it will be obvious, are far smaller if the latter plan is adopted.

- (4) From time to time—as far as possible, not at fixed intervals, and not after previous notice—the duties of the various members of the staff should be changed, so that, if there are any irregularities in the books, they will, in the absence of collusion, be discovered by the book-keeper succeeding to the duties of that department.
- (5) With a view to ensuring the efficiency of the above-mentioned safeguards, every member of the staff should be required to absent himself from the place of business for a minimum period of, say, ten days, and preferably longer, once at least in each year. The experience of the past has shown that frauds, which might otherwise have remained undetected for an almost indefinite period, are speedily discovered if the perpetrator is obliged to be absent, and is therefore unable to “explain” discrepancies as they come to light, and make unauthorized entries in order to secure the balancing of books, the double entry of which has been disturbed by previous fraudulent entries or omissions.

While upon this subject of systems of Internal Check, it may be mentioned that there are numerous devices in the market designed to check automatically the receipts of cashiers. These are of considerable value to tradesmen and others similarly situated, where the cashiers may be required to receive in the course of a day considerable sums, over which it is difficult to devise an efficient system of check by any system of accounting. For ordinary office purposes, however, they are unnecessary, as such receipts are practically non-existent. The best known instruments of this class are those supplied by the National Cash Register Co., Ltd., who manufacture, however, only two really distinct types. In the one case, the till is provided with keys, somewhat similar to those of a typewriter, enabling the amount of the receipt to be registered inside the machine and to be at the same time exhibited within sight of the

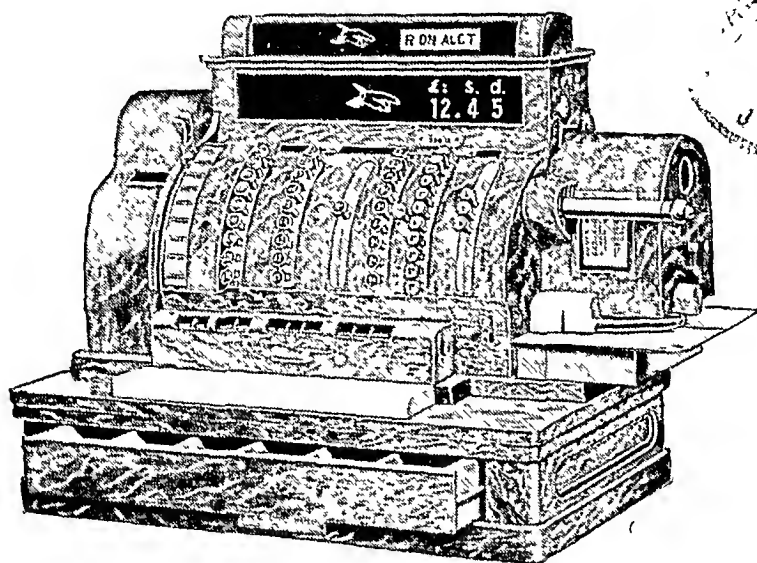
customer making the payment, which is supposed to provide a check against fraudulent manipulations. The more expensive varieties of this type provide an automatic adding apparatus, which enables the total receipts that should be in the till to be readily arrived at and checked against its contents. The second type requires the Cashier to write down the amount of each item received upon an endless band, which is all enclosed within the



register save the minute portion upon which the actual amount received requires to be written. The process of opening the cash drawer turns the roll and removes even this portion beyond the control of the Cashier, thus making subsequent alterations impossible. If desired, this form of register can be arranged to take a duplicate record of the receipts by the aid of a carbon slip between two rolls of paper.

Where a considerable amount of work devolves upon the Cashier the first of these two check tills possesses many obvious advantages ; but where only a reasonable amount of work is involved, there is something to be said in favour of the last-named, which possesses the advantage of maintaining a record in the handwriting of the

Cashier himself. Whichever type is adopted, however, it is important to bear in mind that—like all other mechanical devices—they are practically useless unless accompanied by a sufficient amount of intelligent supervision.



Machines for counting money, for giving change, and for making up pay envelopes are now available, also machines for franking envelopes and wrappers, as an alternative to the cumbrous process of affixing postage stamps.

CHAPTER V

Correspondence, including Methods of Filing, Printed Forms, and Rubber Stamps for purposes frequently in use — Methods of following up Inquiries, etc.

THE Manager's Secretary or Chief Correspondence Clerk may be said to hold the key to the organizing side of an office, just as the Accountant holds the key to the financial side, and the proper organization of this department is of great importance to the personal convenience of the Manager as well as to the development of the business. One of the leading Typewriter Companies has a very telling poster in two divisions, the first depicting a Manager surrounded with letters which he is laboriously writing by hand, and anon gazing up in despair at a clock pointing towards 9 p.m. ; the second half shows the same individual spick and span with hat and gloves on, just going home as the clock points to five, whilst a fair shorthand writer and typist takes out a bundle of neatly typed letters—and the poster does not exaggerate the difference to the Manager.

The Chief Correspondence Clerk must of necessity be an expert shorthand writer and one of first-class reliability, both as regards his note-taking and his transcription. With a system of shorthand like Pitman's, there is no excuse for incapacity, but many commercial shorthand writers do not pay sufficient attention to the advanced stages of their art, with the result that there are still to be met with examples of those curious blunders which are the outcome of a failure to use the proper outline for a word easily confused with another. The rate of speed required depends, of course, upon the individual Manager, but a good reliable rate of 120 words per minute will, in most cases, be found sufficient for commercial purposes. The Correspondence Clerk should also be a capable typist, as there are few firms of to-day who are content to have their correspondence written by hand, both on account of the saving of time involved and the additional readability and compactness of type-written matter. The typewriter also makes possible the duplication of circulars, etc., in a style and with an ease and rapidity which a

few years ago would have been deemed almost miraculous. Some clerks are absurdly reluctant to learn shorthand and typewriting, particularly the latter, and it is largely owing to this that the lady clerk now holds so firm a position in the commercial world. It is foolishly suggested that the arts are mechanical. It is true that some manual skill is required; but the mere mechanical utilization of this manual dexterity produces nothing but disastrous results. It is the combination of the manual skill with a thorough knowledge of the two accomplishments—mixed, as Opie mixed his colours, “with brains”—which makes the valued correspondent, the Manager’s right-hand man, the office assistant who becomes the confidential clerk and who, by reason of the knowledge which he acquires of every part of work which passes through the hands of his principal, makes himself one of the most important officials in the office. There is never any fear of a really competent shorthand clerk getting “side-tracked.”

The typewriter and the duplicator have been referred to in a previous chapter, and it will now be useful to trace the various stages of this part of office work.

All the letters should have the date of their receipt stamped upon them. Some use little transparent labels for this purpose, but these are liable to drop off, and a rubber stamp as appended is better—

Earlham Manufacturing Co.	
No.	890
Recd.	17 Jan. '28.
Ackd.	B. 14 Jan. '28
Ansd.	18 Jan. '28

The first date is part of the stamp, the figures and month being movable. This line is changed the first thing each morning. The other two lines are written in by the clerk dealing with the acknowledgment or reply. The letter shown on the acknowledgment line refers to the type of acknowledgment sent. "A" may be a final acknowledgment which will not be followed by a letter, as shown on Form 1. "B" on the contrary will be followed by a definite reply (see Form 2); where there is no objection to the use of post cards they are to be preferred on account of the saving in postage.

All letters received should be entered in the "Letter Record Book" under their number. Telegrams should be dealt with in the same manner, except that red ink should be used for their entry in the Record Book and the acknowledgment should take the form of a confirmation (Form No. 3).

Telephone messages should also be treated similarly in all important matters. Every telephonic message received by a clerk should be entered in the Telephone Book (Form No. 4).

The letter paper used should be good, though plain. Gaudy headings do not savour of business correspondence, and the following selection of note and letter headings will be found to answer all requirements (see Forms No. 5, 6, 7, and 8).

ACK. A.

Earlham Manufacturing Company.

TOXTETH WORKS,

BOW, E.11

A. H. BLAKE,
Manager.

19

Dear ~~Sir,~~
Madam,

*I have to acknowledge receipt of your
letter of the instant, re
postcard*

for which I beg to thank you.

Yours faithfully,

A. H. BLAKE,

Manager.

ACK. B.

Earlham Manufacturing Company

A. H. BLAKE,
Manager

TOXTETH WORKS,
BOW, E.11

19

Dear Sir,
Madam,

*I beg to acknowledge receipt of your
letter of the instant, re
postcard*

which will receive due attention.

Yours faithfully,

A. H. BLAKE,
Manager.

PLEASE QUOTE
REFERENCE No.

YOUR REFERENCE No.

Earlham Manufacturing Company.

BLAKE,
Manager.
—
phone—
314 EAST
—
grams—
HAM, LONDON"

TOXTETH WORKS,

BOW, E.11

Enclosure

From

The Earlham Manufacturing Co.,
TOXTETH WORKS,

BOW, E.11

To

PLEASE REFER TO



IN YOUR REPLY.

*We beg to confirm Telegram sent
received from*

this day as follows:—

PLEASE QUOTE
REFERENCE No.

YOUR REFERENCE No.

Earlham Manufacturing Company.

A. H. BLAKE,
Manager.

~~Telephone~~
No. 9311 EAST

~~Telegrams~~
"EARLHAM, LONDON"
Typed

Enclosure

TOXTETH WORKS,
BOW, E.11

Please Quote Reference No.

Your Reference No.

Earlham Manufacturing Company.

A. H. BLAKE,
Manager.

TOXTETH WORKS,

BOW, E.11

Telephone—
No. 0341 EAST

Telegrams—
"EARLHAM, LONDON"

Typed

Enclosure

Earlham Manufacturing Company.

19

TOXTETH WORKS,

BOW, E.11

To

A. H. BLAKE,

Manager.

Telephone

No 5111 EAST

In going through the morning's mail the Manager should dictate replies to as many letters as possible right away, as this plan enables the correspondence department to deal with them during the day. Some Managers get into the bad habit of leaving their correspondence until last thing, which results in the bulk of the replies having to be written after ordinary office hours, and the letters go out without having been seen and signed by the Manager himself. Serious mistakes often crop up in this way, and the work of the correspondence clerks will not improve in quality unless proper consideration is given to the necessity for their having reasonable hours of labour; moreover, postage "late fees" may easily soon mount up to an appreciable sum.

When the Manager has gone through the mail and the letters have been either replied to or referred to the various departments, the Correspondence Clerk brings all out, putting those referred to each department in a special basket which he sends without delay to the sub-chief in charge. Having thus dispatched everything to which he is not personally attending, he should now take advantage of every opportunity to get his letters typed, either personally or by an assistant, and here again the importance of the use of correct shorthand comes in. There should not be the slightest difficulty in his handing on his note book to his typist to transcribe, and, where he desires to get together information required by the Manager, or to deal with other work, this is most useful.

In many offices, every letter which is typed has a carbon copy made simultaneously, and, after the original copy has been signed and any alteration made therein noted on the duplicate, the latter is annexed to the letter to which it is a reply and filed with it.

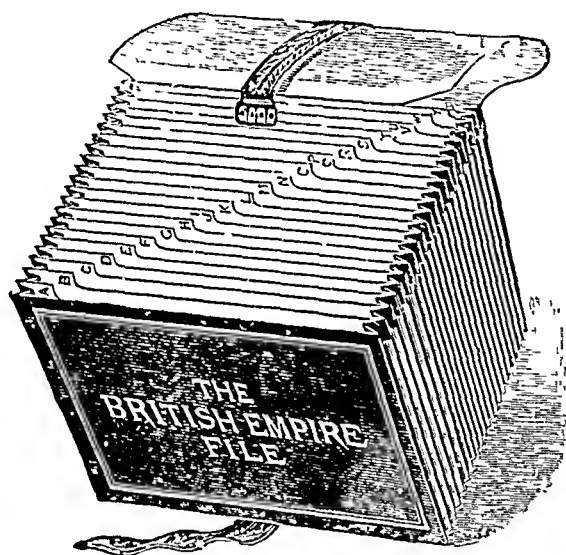
There are several methods of filing inward correspondence, and but few offices now resort to the old-fashioned plan of filing letters in order of receipt—whether by means of metal holders or by pasting into guard-books. This system is both time-wasting and inconvenient, for the letters have to be numbered, indexed, and cross-referenced in the same way as a press-copying book; and even then, should the Manager wish to go through the entire correspondence upon a given subject, he is obliged to turn over a large number of irrelevant letters, probably in several books more

or less cumbersome. There is only this to be said in favour of such a system, that it easily allows the letters received during any particular *period* to come under review. In this respect any system by which letters are filed in order of receipt has a certain advantage over those by which they are distributed under alphabets or numbers; but the Letter Register, to be mentioned again later, will go a long way towards the same end so far as the inward correspondence is concerned, and a press-copy Letter Book, if kept, will perform a similar function with regard to the outward correspondence.

For rapidity of filing and readiness of reference, the alphabetical systems have much to recommend them. The earliest of these, the pigeon-hole system, was a stage better than the guard-book method, as it did keep all the correspondence from one firm together; and the soul of the "exact man" was surely gratified when he put away that neat cardboard-backed bundle in which every letter was duly docketed with its date, subject, etc. But the system was somewhat cumbrous (involving, as it did, bundle after bundle being taken out until the right one was found), and it is practically out of date as a letter-filing system. It may, however, still serve for certain purposes, as where documents are required to be sorted alphabetically and placed in a temporary receptacle for further use. Sets of pigeon-holes can be purchased with revolving shutter fronts, as well as the more ordinary kinds.

Perhaps the simplest of the alphabetical systems is the expanding alphabet case having lettered pockets into which letters are simply dropped. The case is labelled on the back and within a somewhat narrow compass the system is convenient enough. Then there are systems, of which Stone's seems to have been the pioneer, viz. boxes or drawers, with index sheets under which are placed the letters, a spring clip keeping them in place. For greater security, however, many of the systems in common use provide that the letters shall be pierced with holes at the side or top and placed over upright posts in the filing receptacle, whether in the form of book, box, or drawer. The Shannon may be mentioned as a representative of this class. The simplest form of the Shannon, as well as the Alpha, Anchor, Era, etc., is a sort of glorified apron (hanging) file, with the addition of an index. Instead of a pasteboard back it has a substantial board to which is attached a perforator, a double spring

arch over which the letters are placed, and a cover on which a spring presses to protect the letters from dust. With the addition of a drawer front (in which case the perforator is supplied separately), any number of these files can be arranged in a cabinet or cabinets. The index can be divided and sub-divided as required and, as the file is filled, the contents are transferred to a " binder " or case marked with the dates on the back, the corresponding dates with the number of the case being recorded on the cover of the file from which the letters were removed. There is a very useful form of document



file for folded papers (statistical returns and the like) and a special catalogue filing cabinet containing divisions of various sizes for the reception of catalogues and price lists of the firms with which business is done.

Another method which has come into favour during the last few years is known as the " individual " system, of which the " Stolzenberg " is an example. The ruling idea of the system is a separate file for each letter of the alphabet, or for each correspondent or subject, or for a particular period. The letters are placed in a strong paper or linen cover (which can be had in various colours to distinguish departments, subjects, geographical divisions, etc.), in the back of which are fastened metal strips which

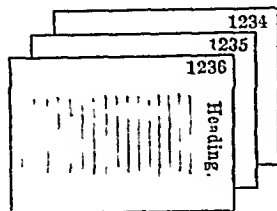
pass through corresponding holes pierced in the documents, the ends of the strips being bent down over the top letter and held in place by a clip. The files are stored in suitable cabinets. It is not intended that there should be any transfers, the files themselves being inexpensive. One of the advantages put forward on behalf of this system is that the files take up practically the same space as that occupied by the letters themselves, whereas it is necessary that a box or drawer should provide space for future as well as immediate needs.

In addition to these methods, there are two numerical systems which deserve consideration. The first has been for many years, and continues to be, largely used on railways, and may, therefore, be considered to answer fairly well even for a large correspondence. It has the advantage of requiring the minimum of equipment; indeed, this is probably the strongest feature in its favour. Each letter (or telegram), etc., coming in is stamped with the date of receipt, and is entered in a letter register; the date, writer's name, and subject being recorded thus—

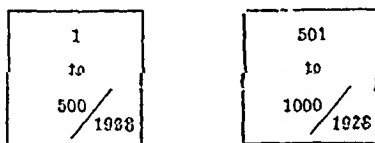
Progressive No.	Name	Date	Subject:	Sender's reference (if any)
1234				
5				
6				
and	so on			

The numbers start at unity and run throughout the year. As each letter is registered, the relative number is placed on it in the manner shown below. The letters are then sorted and handed over to the particular department to be dealt with, after which they are placed

on edge (the paper used is generally octavo shape) in an ordinary drawer with the number showing in the right-hand corner, thus—



and afterwards tied into bundles and labelled.

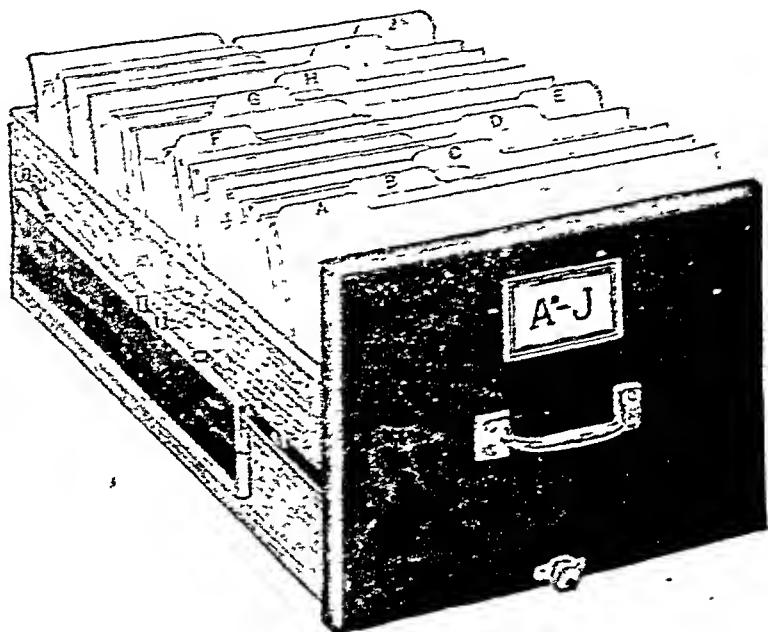


Each *reply* sent out bears the number of the inward letter in combination with the copying book reference, thus:— $A2/\frac{16}{1234}$
 “A” distinguishes the department, “2” the number of the letter (copying) book, “16” the number of the letter in the book (or the date may be used instead) and “1234” the progressive number under which the correspondence has been registered. This reference should be given on any further letter *received* from the sender of the original. Such further letter would not be registered (though its receipt might be noted against the original entry in the register), but would be attached by the filing clerk to the previous papers and sent to the party dealing with the matter. Should such a letter be registered in error, or should it be necessary to attach any letter or batch of letters to correspondence bearing a different number, the later number would be written off in the register thus: “6789—see 1234,” the first and original number only being retained, and the number on the later letter being altered accordingly. To make this system at all convenient, an alphabetical index in the register is, of course, necessary.

There is one advantage possessed by the Letter Register, whether used in connection with the method just described or some other filing system, which is worth noting. It enables a Manager who has

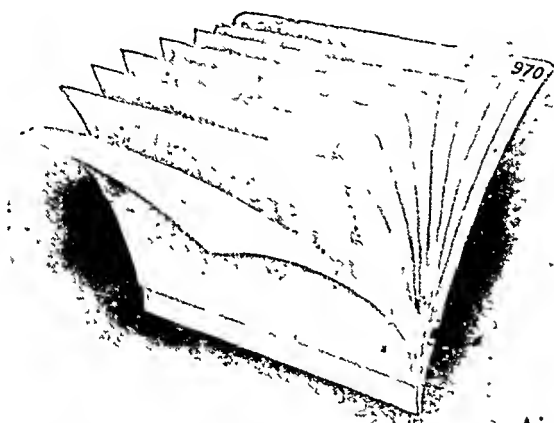
been absent from the office for any period to get a bird's-eye view of the correspondence which has taken place in his absence, and to call for any letters he may desire to see.

The second numerical system to which reference was made is of modern introduction, and, when used in combination with the card index, is probably the most scientific and the best all-round system extant. It is sold by the Library Bureau, Ltd., the Globe Wernicke Co., and many others, and is generally known as the Vertical



system, the letters being placed upright in the file instead of being laid flat as in most of the alphabetical systems. The Vertical system is not, however, confined to a numerical classification, but can be used in connection with an alphabetical or geographical arrangement, and in such cases it would be possible to do without the index by making the system self-contained. In the numerical system with which we are now dealing, the correspondence with one firm or on one subject, etc., is placed in a stout manilla folder bearing a number. The folders are numbered consecutively from one upwards, and are placed upright in the file between guide cards numbered at intervals of ten and distributed through the file for the purpose of facilitating reference. Each new correspondent is

given a folder bearing the number next above the last one in the file. His name is entered on a card, together with the date of the first letter and the number of his folder, the card being then filed alphabetically in the index drawer. Thereafter (until transfer is made) the folder will contain all the letters from that correspondent, and also the carbon or press-copies of the replies thereto as previously suggested. When, therefore, it is necessary to refer to the details of any matter dealt with in several letters, the folder containing the entire correspondence can be taken out of the file without



the slightest trouble. The files are fitted with an adjustable block or "follower" to keep the contents in position, and in the cabinets supplied by one firm the front of the file drawer is hinged at the bottom so as to fall slightly outwards at the top while the papers are being examined, and as the follower at the back of the letters at the same time recedes in the reverse direction (making a V-shaped space between them) the removal of a folder or the insertion of new matter is rendered extremely easy. The guide cards and block are kept in position by steel rods, and slides beneath the drawers support the files when they are drawn out. The Globe Wernicke Company supply an ordinary flat (alphabetical) file with a "suspending device" which allows the drawer, on being drawn out, to drop into a vertical position for greater ease in reference. The principle of this firm's well-known "Elastic" bookcases has been

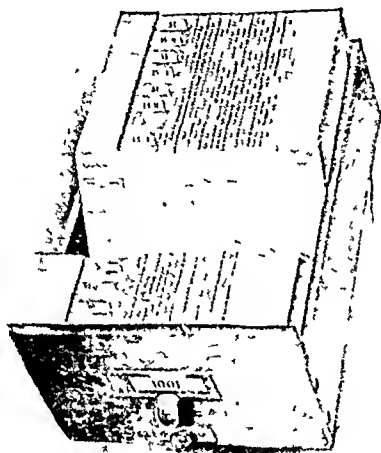
applied also to their filing and indexing cabinets, allowing the necessary accommodation to be built up as required without looking ugly in the process.

Different methods of transferring the contents from vertical cabinets when full may be followed. Periodical transfers of the entire contents can be made, or crowded files may be relieved from time to time by the transfer of single folders or of unimportant and out-of-date matter. While transfers at regular periods are not without advantage (as, for instance, keeping all the correspondence for, say, a year in one set of transfer cases), "piecemeal" transfers can be made at odd times without interfering with other work—an important consideration; while the plan of removing dead matter has the additional advantage of leaving in the cabinet all the correspondence that is likely to be wanted.

If there is one thing in connection with the numerical system which may be regarded as a drawback, it is the fact that it requires a separate index to make it workable. First of all, there is the writing and filing of the index card (for which purpose, however, an "Addressograph" may be used), and then, if it is desired to refer to the correspondence of a particular customer, that customer's number must (unless it happens to have been memorized) be ascertained from the card index before the reference can be made. It may, however, be said on the other hand that it does not follow that the index will be instituted for the sole purpose of recording the correspondent's number. As has been already shown, the card index can be made the means of recording *any* kind of information respecting a firm or subject, which information may be worth considerably more than the labour spent in compiling it; and the necessary reference to the index as a preliminary to finding the correspondence should be but a matter of seconds. There is also this advantage of a positive character, that correspondence with new business connections is placed *behind* matter already in the file; in other words, it comes in where there is most room for it.

According to taste or requirements, various modifications or combinations of the many filing systems in vogue can be made to an almost unlimited extent. It is almost unnecessary to say that, whatever system is adopted, there should be some provision for quickly tracing the reply to any letter when a copy is not attached.

The card index should be turned to further use by the correspondence staff. An inquiry has been received from a new correspondent for a catalogue of the firm's specialities, and the catalogue has been duly sent. An entry of the name and address of the inquirer and the nature of the inquiry is then made upon two cards, one being inserted in a card drawer referred to daily. The cards in this drawer are arranged between date guides and by inserting the



new card behind a certain specified date, the inquiry will be automatically brought under consideration again and a follow-up letter sent, the card being then inserted behind a later date. The second card is sent to the Travellers' Department, where it is filed in the drawer of a particular traveller, if in a town round, done regularly, or behind a guide card of its own town, if some distance away. By these means, the traveller when going over the particular ground can take out the cards within the area and follow up the inquiries personally. It is by such methods that the modern business Manager will lose no effort to turn every inquirer into a customer, and the elasticity and adaptability of the card system cannot be over-estimated.

CHAPTER VI

Estimates, Tenders, Contracts, Orders, showing their connection with each other and with the Financial Books. Also discussing points in connection with Estimates, Standard Calculations, etc.

COMPARATIVELY few except those who have been engaged in some of the higher and more confidential office positions have anything but a vague idea of the manner in which estimates and tenders, particularly those of an important financial nature, are prepared. In firms where these documents are properly drawn up, after detailed consideration of the cost of production, the work involved in dealing with this matter is both considerable and intricate. Competition has quite killed the basing of estimates upon "general experience," and has emphasized—in some cases somewhat unduly—the importance of substituting actual facts for mere imaginary figures and flights of the imagination.

There are four main items upon which estimates are based—

- | | | |
|--|---|----------------------|
| (a) Material | } | known as Prime Cost. |
| (b) Labour, and | | |
| (c) Direct chargeable expenses | | |
| (d) Indirect establishment and
administration charges | } | known as Oncost. |

Although it is a simple matter to calculate the cost of so much raw material, or such and such parts bought complete, at certain prices, there is much consideration and experience required to settle the quantity of material necessary, the probability of a rise or fall in the market price of certain commodities, if the work will occupy a long period to execute, and the choice of a particular grade or quality of material which can be relied upon to give a satisfactory efficiency and life. Experience also is necessary to the reasonable and accurate computation of the labour cost of production of any given contract operation, and there are important matters, such as freight, etc., to be considered.

To deal *satisfactorily* with an estimate implies dealing with it *systematically*, and here comes in a most important test of the manner in which the organization of the undertaking has been

carried out. If the business is a new one, the Manager must necessarily rely for his earlier estimates upon his own knowledge, and upon that of his principal assistants, as to the materials which will be required, the cost of labour involved, etc.; but, if the business has been established for some time, the estimating information should be of a most exact and accurate nature.

It should be the practice for the Estimating Clerk to deal with the estimating not merely for contract work to be performed for outside customers, but also for the production in the Works for stock purposes of all articles that may be manufactured by the firm. This gives him a good all-round knowledge of his work, and enables him to prepare expeditiously any information the Manager may require. He should have estimating information in tabulated form, so far as the cost of production in the firm's own Works is concerned, and should be in touch with the Orders Clerk's work, so as to be familiar with the sources of all classes of supplies likely to be required for contracts. Where the business is one for the supply of articles in which there are a number of small parts, most of which are made in the Works, the Estimating Clerk should have the cost of each of these; and, if (as in most cases) these vary according to dimension, it will be found most useful to provide a table or desk, the top of which is covered with a thick piece of glass. Under this can be kept the tabulated cost of the various sizes of parts, the standardized calculations used in the particular business, and any other data of constant service, in clean condition, and in a position of the greatest accessibility for consultation or copying purposes.

There is a good deal of difference between the methods employed in the preparation of estimates. It is well in the first instance for the Chief Draughtsman to prepare a dissection of the various portions of the work required, with a detailed statement of the materials to be purchased outside, if any. It is customary then for the Works Manager and the Estimating Clerk, separately, to price out each operation or item of manufacture, and then the Manager goes into the whole matter, in some cases even preparing his own estimate separately from the others. It is of distinct importance that the draft estimate should be prepared separately by several persons, and each material difference discussed, as in this manner only is due precaution taken against any serious omission. In large

contracts, particularly with Public Bodies, very great care must be taken in the examination of the general conditions of the specification, which will be found to include full particulars as to the penalties for non-completion to time, the tests of efficiency which will be required, the terms of payment, labour conditions to be observed, etc. The terms of payment are important, because, although the firm tendering incurs its expenses (at all events in connection with labour) at once, it will be found generally that payment is made at a rate of only between 75 to 90 % of the total contract value (varying according to the nature of the contract) on delivery, and that the balance is retained for a certain specified period, in order to afford time to test the efficiency of the work. If the contractor is in a large way of business, it will frequently happen that he has many thousands of pounds outstanding under retention clauses, and, as his own expenses have to be met immediately upon the contract work being executed, he naturally has to allow for the financial arrangements which will be necessary to enable him to provide the large sums thus called for. The labour conditions imposed must also be carefully considered, as there are few Public Bodies now which do not attach heavy penalties, even to the extent of the cancellation of contracts, where the stipulated conditions as to labour have not been obeyed. 22185

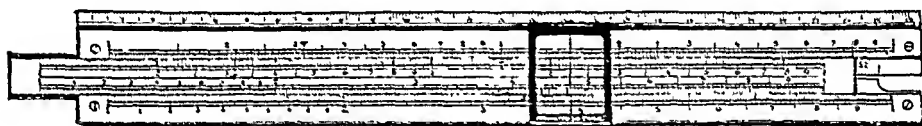
Having ascertained the cost of production in the Works, the cost of additional material which may be required and which must be purchased outside has to be ascertained. If such material is large, it is better to obtain special quotations, to include delivery either at the Works or at the site where the contract is to be completed, as and when required. Where the outside material is of a minor character, its price can be obtained from the lists already available in the office or from the catalogues which the Estimating Clerk will have duly filed.

The Prime Cost in connection with the estimate having now been obtained, there remains to be considered the matter of the Oncost. The practice of dealing with the Oncost varies. This question is dealt with more fully in Chapter XIII, but it may be stated here that some prefer to work this out on *each item* and others on *each operation*, a similar difference prevailing in connection with the calculation of profit to be added.

In connection with contracts for work which has to be completed

on a given site, it is often advantageous for that site to be visited, and its surroundings, facilities for local transit, local rates of pay for labour, etc., noted ; and this should, of course, be done *prior* to the completion of the estimate. The cost of freight, or cartage, from Works to site must be ascertained and included ; also cost of supervision during erection, which may involve railway travelling and maintenance for foreman and men.

In engineering firms, great use is made of the Slide Rule for rapid calculation purposes ; conversion tables are frequently referred to, and constants and logarithms regularly utilized. It is surprising that the Slide Rule is not used to a greater extent in general office work, particularly in offices where much attention has been paid to labour-saving devices. It is true that its use requires a little practice ; but, given that, anyone with a knowledge of the decimal system will speedily become proficient.



The prices being ready, proper attention must be paid to the form of tender. Many firms send this out in a very slovenly, slipshod style, on poor paper, and accompanied by badly designed drawings. Every tender should be typewritten on good paper, should be expressed in clear language, and any drawings sent should be carefully and neatly designed, and be properly numbered to correspond with the items in the specification. Too many provisions of a protective character should be avoided, but it is well to have some clauses of a nature which will protect the firm tendering against monetary losses owing to strikes, or causes over which they have no personal control.

The following is an example of such protective clauses—

CONDITIONS OF CONTRACT

The Contractors shall be entitled to an extension of time for completion equivalent to any delay caused by Strikes, Lock-outs, or Combinations of Workmen, Accidents, Fires, or stoppages for want of material, either at their Works or at the works of any persons

supplying machinery or materials to them for the contract work, or by any other delay caused by the purchaser in approving drawings, paying instalments, ordering alterations, or extra work, or otherwise howsoever.

Every effort will be made to secure sound material and good workmanship, and the Contractors will replace free of cost, and under the same conditions of delivery as the original contract, any material which proves faulty within six months of delivery or setting to work. Their responsibility shall, however, be limited to the above, and shall not include consequential damages, such as loss due to stoppage of machinery.

The following is another type of tender with protective clauses, and is very inclusive ; but the Manager should carefully consider whether in this case the clauses are not of such a nature as to tend to militate against chance of acceptance—

TENDER No. (To be held open for . . . weeks.)

This Tender for
 is issued to
 of
 subject to the undermentioned conditions—

- General (a) This Tender does not include the cost of any bricklayers', masons', smiths', or carpenters' work, which may be necessary when erecting the machinery or apparatus.
- (b) It is to be distinctly understood that a proper leading-in way is provided by the purchaser as far as the door of the building which is to contain the material, together with all necessary cranes, lifting tackle, scaffolding, etc., suitable for the weights which have to be transported and handled.
- (c) The cost of providing, fixing, and laying any cables or wiring, which may be required in connection with the machinery offered, is not included in the amount of this tender.

- (d) The necessary lubricating material, waste, etc., which may be required when starting up the plant, or afterwards, must be provided by the purchaser.
- (e) Our liability with regard to accidents that may occur during unloading, erection, or setting to work is limited strictly to the men in our own employment.

Prices All prices given are strictly net, and include all the necessary packing and delivery to site (or elsewhere).

The cost of erection is included (or excluded).

Date of Delivery We guarantee to deliver the material comprised in this tender and set to work within.....weeks of the date of the purchaser's official order to proceed with the work. But it is to be understood that our responsibility in this respect ceases—

- (a) If undue delay takes place with regard to the approval of drawings and arrangements, or if the necessary data for the execution of the work are not received in proper time.
- (b) If extra work or alterations are ordered subsequent to the acceptance of this tender.
- (c) In case the completion of the work has been delayed by strikes, accident, fire, stoppage of works, bad castings, failure of railway or other communication, both as concerns ourselves directly, or our sub-contractors for raw material, etc.
- (d) If it is evident at the time the material in question is due for delivery, that the place destined for its reception, or the foundation for it, is not ready.

Terms of Payment% with the order.

.....% upon the delivery of the material on the ground.

.....% upon erection.

Balance.....months after setting to work.

It is hereby assumed that the purchaser will be ready to take delivery of the material on order as and when same is ready at our Works; further, that the erection of the material can be commenced immediately after delivery, and that the plant can be set to work as soon as the erection has been completed. Should it happen, owing to causes

beyond our control, that these stipulations are not fulfilled by the purchaser, payments must be made by him at intervals corresponding to the periods indicated above.

In any case, payment is to be completed within.

months from the date of the completion of the material.

Guarantee The material comprised in this tender is guaranteed against defects of material, design, or workmanship, for a period of.months, fair wear and tear and carelessness or incompetence on the part of those handling the plant excepted. Any such defect showing itself during this guaranteed period will be remedied by us, at our expense, and in the shortest possible time, but our liability is strictly limited to this, and does not include consequential damages, such as loss through stoppages of machinery, etc.

With the acceptance of a tender, if of an important nature, it is frequently the case that a form of contract has to be signed, and this should be carefully examined to see that no conditions have been included which are not contained in the form of specification upon which the tender was based.

The use of the Slide Rule in connection with estimating has been already referred to, but, apart from this "aid," there are very many standard calculations which should be utilized by the Estimating Clerk. It is impossible in a work of general application such as this to give examples, as each type of business has its own set of calculations. Such works as Molesworth's *Pocket Book of Engineering Formulae* are invaluable, containing, as they do, large numbers of standard tables, giving weights of metal in pounds per linear foot, details of strength required for various types of erection work, etc.

CHAPTER VII

Packing and Unpacking, showing the methods of checking goods issued and received, and the connection between these records and the Financial Books

THE location of the Packing Department is naturally governed by two main considerations—accessibility to the various departments and convenience for the ready receipt and dispatch of goods by means of railway trolleys or other conveyances. Of the two points, the latter claims first attention as being more dependent on structural conditions. The internal arrangements of a factory or warehouse may be assisted by the use of various appliances, such as lifts, trolley ways, or pneumatic tubes, which are capable of a wide degree of adaptation; but, if wagons and vans engaged in the collection and the delivery of goods are allowed to block each other in narrow streets and cartways, nothing but loss of time, money, and temper can result.

Before the actual receipt and unpacking of goods, certain operations must, of course, have taken place, at which it will be necessary to glance in order to show the method of checking. The buyers for the various Departments have made their selections, and orders have been given which have been duly noted in the Departmental Order Books. On the receipt of the invoices, the latter, having been stamped with the date of receipt in the General Office or Counting House, are handed to the buyers concerned, to be checked. It is a safe precaution, however, before allowing invoices to leave the office, to have them entered in an Invoice Register to guard against loss of documents and subsequent trouble, and as a reminder to the Cashier of the dates when payments should be made. This Register should show the creditor's name, the date and the amount of the invoice, the terms of payment, the date due and paid. A definite time should be allowed for the return of invoices from the Department. The buyer receiving an invoice checks the prices by his Order Book, notes the receipt of the invoice in the book, and passes the invoice on to the Salesman or Storekeeper who has to receive the goods, for his signature in acknowledgment of receipt.

If it is desired—and in many cases it is desirable—to withhold a knowledge of prices, etc., from the rank and file of the staff, the buyer enters the invoice into a Transit or Goods Received Book, substituting letters and quality numbers for the makers' names and prices. The person receiving the goods then signs the book instead of the invoice, and the buyer, having examined the goods as to their quality, returns the invoice to the Counting House with his initials. Where the business is conducted in Departments, it is a good plan to have a separate invoice for each Department concerned marked with the name of the Department. The necessary instructions for giving effect to this arrangement will be stated on the order, the number of which should be shown on the invoice. It may be well also to have a Departmental Bought Book, containing particulars of all goods bought by the Department, not necessarily as a part of the system of book-keeping, but as a record for the buyer's information.

Similarly, as orders are received, it will be found advisable, before they are passed on to the Department concerned for execution, to keep a record (Orders Received Book or Indent Register) in the main office, so that a general supervision may be kept over the work, and accidental omission to execute an order prevented. Nothing, probably, is more annoying to the would-be buyer, or to the firm at whose expense the order has been obtained, than to find that order overlooked. It may even pay to appoint someone to see that nothing of the kind occurs, whose duty it is to look up any order for which the particulars (showing that it has been duly executed) are not forthcoming from the sale rooms in due course. If desired, separate registers may be kept for the orders from different travellers or branches, or for different departments of the business, for home and foreign orders, etc.

The order having been registered, the subsequent procedure will vary according to circumstances. In some offices, it is the practice to fasten the orders into guard books, one for town and country and one for export orders, and to pass the books into the sale room for the necessary action. The goods having been placed together by an assistant are checked by the head of the department, who compares them item by item with the order, and calls out the particulars to an Invoice Clerk. The latter enters them forthwith into the Sales Journal, and, to ensure accuracy, repeats the

particulars as he puts them down—goods, quantity, price—and also calls out the “extensions,” which are entered after being confirmed by the checker.

In some cases a Manifold Invoice Book is substituted for the Sales Journal, and, as the goods are called over by the checker, the particulars are entered in the form of a duplicate invoice, the calculations being made by the clerk and confirmed by the checker as before. One copy of the invoice is torn out to be sent to the customer, and the book containing the duplicate is used in the same way as a Sales Book, from which the customer's account is debited. This method is more suitable for inland orders. If desired, the record may be made in triplicate, so that one series may be permanently retained in book form. There is, of course, no difficulty in having these records typewritten, and the process, in addition to being more speedy, tends to the production of better work.

A drawback connected with the use of guard books in the manner described is that, if it should be desired to refer to any particular order (when writing to a customer, for instance) and it is necessary for the Order Book to be sent for, the salesman who may be dealing with another order in the same book will probably wait in idleness for its return to him; and the system is doubly inconvenient where the business is conducted in departments more than one of which is concerned in a given order, as one department has to wait until the other has completed its portion of the order.

In such cases the following will be found a better plan: The order, having been entered in the Register, is sent to one of the departments concerned, and a note of its contents—so far as they affect that particular branch of the business—is made in the Sales Book of the Department; the order is initialed and passed on to the next Department, and eventually returned to the office. With a little care and ingenuity, however, there ought to be no difficulty in hitting upon some application of the slip system that will answer every reasonable requirement.

Whatever system is adopted, the goods should be checked before being packed, as, in regard to errors as well as other evils, “prevention is better than cure,” or, as a humorist might say, “I easier to rectify mistakes *before* they occur than afterwards.”

Any “remainders” (goods to follow) are noted in the Order B

SPECIMEN OF PACKING SLIP

Folio

Date

Name

Address

Date for dispatch

How packed

Marks and numbers,

Goods

Measurements

Weights

B. & Co. # 1

Cape Town 2

3

4

(Form No. 9)

Packer.....

and it should be seen to that these are not overlooked. The customer should be advised of any such temporary delay in carrying out part of an order, or of inability to supply certain goods ("omits"). Unless substitution is forbidden, it is usual, in some trades, to send the nearest "subs" (substitutes) which can be supplied, care being taken to explain that this is being done.

SPECIMEN OF LABEL

<i>Per</i>	<i>Date</i>.....19
<i>Contents</i> <i>Fol</i> <i>Sig</i> . ⁽¹⁾ <i>Packer</i>	
.....	
.....	
.....	
<i>From</i>	
(Form No. 10)	

¹ Initials of Clerk who prepares the label.

The necessary instructions as to packing, etc., must be sent with the goods to the Packing Department. Under the first system described above, the Invoice Clerk who enters up the goods in the Sales or Invoice Book makes out for each lot of goods a "packing slip," giving the description of the goods, customer's name and address, the method of packing, and the marks and numbers to be placed on the cases. Under the second system, where the order is copied into a Sales Book, a carbon copy of the entry may be made for the same purpose. It will be better, however, that no

extensions should be made on this slip, although carried out in the Sales Book. Calculations should be made by the Invoice Clerk and compared with those in the Sales Book, or, if they are copied by the salesman on to the slip, they should be checked by the Invoice Clerk. In this way, a valuable aid to accuracy is secured. On the completion of the packing, the slip, marked with dimensions and weight of the packages and the packer's signature, is returned to the Invoice Clerk.

When the goods are to be forwarded by carrier, an adhesive address label is usually sent with the goods to the packer, and in some circumstances would be the only information which need be sent with such goods. The label should be dated, and a space for the packer's initials or number should be provided (see page 71).

It will be the duty of the foreman packer to see that a stock of cases, wrappers, etc., sufficient to meet the ordinary requirements of the business, without being unnecessarily large, is kept in hand; and, if the cases, etc., are of standard size designated by numbers, with a distinguishing letter for the *description* of the package (as C1, C2 for cases; W1, W2 for wrappers), it will be convenient for notifying the office as to the quantity of materials used in connection with any particular order. There is no need for the packing staff to know the charges made to customers for such articles.

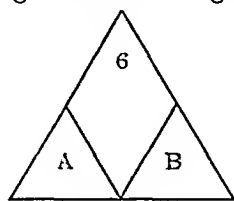
Invoices are made out from the Sales Book (when this is not done at the time of calling over) and in many cases they can be prepared while the goods are being packed; but, if the order is so large as to require more than one case, etc., it will, as a rule, be necessary to show the contents of *each* case on the invoice. This information must be received from the packer (by means of the slips already referred to) before the invoice can be completed. If, however, the goods are packed in the order in which they are sent down (which corresponds with the order in which they are entered in the Invoice or Sales Book), and instructions are given that no single item of goods is to be split in the packing, the preparation of the invoice can go forward, and it will be an easy matter, on receipt of the packing slip, to make the necessary divisions in the list of goods corresponding with the contents of the individual cases. The particulars of the cases, etc., used, as well as being entered on the packing slips, should be recorded in a more permanent form, such as a Packing Charge Book, to be kept in the department.

Although the cost of packing obviously includes the packer's wages, it is usual to charge the customer with the cost of the replacement of materials only, wages being debited to General Expenses. Sometimes, by the use of non-returnable cases, and by including cost of packing in the price of the goods, a separate charge is avoided altogether. Generally speaking, it may be said that the fewer special charges the better, as all extras are more or less irritating to the purchaser. All railway companies have special rates for returned empties. (See Chapter IX.)

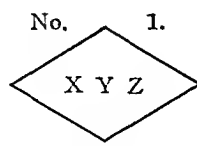
The packing of goods for foreign markets deserves more consideration than has sometimes been given to it by British manufacturers and merchants. It has been said, with an appearance of some truth, that England has lost ground, as compared with her Continental competitors, through insufficient attention to the requirements and prejudices of customers as to the form in which goods are put up. If trade is to be retained, buyers' tastes must be gratified and the peculiarities of markets must be studied.

As regards the size of packages, the methods of transport in the country of destination must be kept in view. In some mountainous parts where railways are impracticable, merchandise has to be carried by mules or bullocks, or even on the shoulders of men. Inattention to these points will often mean serious inconvenience and expense to the purchaser, and the probable loss of his custom. Information of the kind indicated may be obtained, not only from the firm's own travellers and correspondents, but from Official Reports published by the Foreign Office, Board of Trade, Consular Agencies, and from the various commercial papers and trade journals.

Instructions as to marking are generally given in the order or indent, and these instructions should be carefully followed. A mark usually consists of some design, such as a triangle, diamond, etc., made by means of a stencil, with the initials of the consignee and the port to which the goods are consigned. For example—



Karachi.



Montreal.

When there is more than one package in a consignment, the packages are numbered consecutively, and in the case of regular customers the numbers often run continuously for a year. Each package should also be marked with its dimensions and weight, and it may be necessary to give the latter in denominations other than British.

One advantage of consigning goods under mark is that trade competitors are less likely to get information of possible customers. It is also, generally speaking, quicker than addressing, and is more convenient in cases where the goods may be sold in their original packages by the person to whom they are sent. These remarks apply not only to goods exported, but also to large consignments sent by rail.

When the goods are ready for delivery, they should be entered in the Delivery Book kept by the Dispatch Clerk, and signed for by the carman receiving the goods.

If the business is a large one, it may be advisable to apportion the work of the packing staff in some definite way, in order to avoid friction. This allocation may follow the departmental divisions, or the various lines of railway, or the routes of different travellers, or any other suitable plan. In such cases, each packer should be assigned a number or some similar means of identification by which he may be known to the porters conveying the goods from the sale rooms, and for his own use on packing slips and other records of his individual work.

In conclusion, it may be pointed out that, in order to avoid the risk of goods being forwarded to customers without being first charged to the debit of their respective accounts, it is imperative that there should be some systematic connection between the Packing Department and the Sales Department. The system which has been explained in this chapter is, therefore, no matter of mere theory designed to give an appearance of completeness, but a distinct link in the system of organization which should collect all the various departments of a large undertaking together, and which cannot under any circumstances be safely disregarded. In the case of a manufacturing undertaking, it will indeed probably be desirable to take the system even one stage farther, and require the Packing Department to advise the Cost Office of the quantities and description of all goods sent out from time to time. This will enable the Cost

Office to complete its record by marking off the various goods as having been dispatched, and to advise the office of having so done, leaving it for the office to compare the advices it receives from the Cost Office with those it has received already from the Selling Department. Any discrepancy between the two should, of course, be very carefully inquired into, but, as no actual books of account are affected, it is unnecessary to describe in detail the system most suitable for each particular undertaking. The Addressograph (*vide* Chapter III) can frequently be utilized with advantage here by requiring the selling department to supply all addressed labels to the packing department.

CHAPTER VIII

Dutiable goods, dealing with the principal Regulations relating to the more important commodities on which Excise and Customs Duties are levied in this country, and the general procedure in connection therewith

THE imposition of Customs Duties forms one of the most ancient methods of raising revenue for public purposes, while the word "Customs" itself seems to indicate the universality of its application. The traceable beginnings of our own Customs System are to be found in the "Prisage" and "Butlerage," the "Subsidies," the "Tonnage and Poundage," and other levies of the thirteenth and succeeding centuries. Some of these impositions were recognized as the hereditary right of the monarch, while others were under the control of Parliament, and granted to or withheld from the Crown according to circumstances. As a matter of fact, these taxes, often unconstitutionally levied, seem to have been a constant source of trouble between the King and Parliament, and formed one of the chief causes of the Civil War. By Acts of Anne and George I, the duties were made perpetual, and were mortgaged to the nation in return for the public adoption of certain obligations of the Crown.

In 1787, the year of the first Customs Consolidation Act, the Customs Duties, hitherto collected on the basis of a book of rates issued from time to time with the warrant of the Speaker of the House of Commons, were in a most chaotic state, some duties being levied according to bulk, others according to value, and in some cases by both methods on the same article. Pitt's Act considerably simplified matters, and was succeeded in turn by the Acts of 1825, 1853, and 1876. The Customs Consolidation Act of 1876, with but few amendments, still governs the Customs System of this country. As showing how the Customs Tariff has been reduced, it is sufficient to mention that in 1842 about 1200 articles carried duty; in 1845 about 750; and in 1860 some 48. Before the end of last century the list had been shortened to less than a dozen classes of goods—probably the smallest tariff in the world.

By the imposition of the Sugar Tax in 1901, the number of dutiable articles was considerably increased, owing to the large

number of commodities containing sweetening matter as an ingredient, the list of subsidiary articles ranging from chutney to cattle food, and from chewing gum to blacking. The incidence of the tax is, therefore, very general and extensive, as it was perhaps intended to be. The year 1902 saw an export duty placed on coal (since repealed), while the import duty on corn imposed in the same year lasted only twelve months. By the Finance (No. 2) Act, 1915, motor-cars, cinematograph films, musical instruments, and clocks and watches were subjected to import duty ; while, in 1916, matches, mechanical lighters, table waters, cider and perry were added to the list. The Finance Act, 1920, imposed an *ad valorem* duty on imported cigars and sparkling wine in addition to the specific duty formerly charged. By the same Act the duty on motor spirit was repealed as from 1st January, 1921, and a new system of taxing mechanically propelled vehicles was instituted on the same date. The Finance Act, 1928, has reimposed a tax on imported motor spirit, but has not repealed the "horse-power" excise duties on motor vehicles.

In 1921 was passed the Safeguarding of Industries Act, designed "to promote and safeguard the development in the United Kingdom of industries of a special or pivotal character." These "key" industries were specified in a schedule, and the Board of Trade was authorized to issue lists in accordance therewith ; complaints as to inclusion or exclusion were to be referred to a referee appointed by the Lord Chancellor. Part II of the Act was directed against "dumping," i.e. import and sale of goods "at less than prices at which the goods were currently offered in the country of manufacture" or "at prices, which, by reason of depreciation in the value in relation to sterling of the currency of the country in which the goods are manufactured are below the prices at which similar goods can be profitably manufactured in the United Kingdom." The Board of Trade could apply this part of the Act to an industry only after the Report of a special committee, and in all cases under the Act the rate of duty was $33\frac{1}{3}$ per cent *ad valorem*. Under these provisions, fabric gloves, domestic and optical glassware and domestic hollow-ware of German origin were scheduled, gas mantles being later added.

In 1925 it was decided that the procedure was too cumbrous, and power was taken to proceed by ordinary legislative methods

as soon as a *prima facie* case had been made out by a particular industry and approved by a special committee. Accordingly the term "dumping" has now disappeared, and it is now necessary to prove that competition (not necessarily German) comes "largely from countries where the conditions are so different as to render it unfair." Unfairness must arise from (a) depreciation of currency, or (b) subsidies, or (c) inferior conditions of labour.

Duties have accordingly been laid on the undermentioned classes of articles, and in some instances the tax has been fixed for a five year period—

50% *ad valorem*—

Optical glass. .

16 $\frac{2}{3}$ % *ad valorem*—

Wrapping paper.

33 $\frac{1}{3}$ % *ad valorem*—

Amorphous carbon electrodes.

Clocks, watches and parts.

Gloves.

Hosiery hatch needles.

Ignition magnetos.

Cutlery.

Lace and embroidery.

Certain rare metals (e.g. tungsten).

Motor-cars and parts.

Musical instruments.

Scientific instruments.

Silk (or artificial silk) articles.

Synthetic organic chemicals.

Wireless valves.

It must be remembered that derivatives, or parts, of the article in the above-named classes are dutiable, and the official list contains upwards of 7000 entries.

The Customs Entry dealing with safeguarded goods is passed on the revised form of Form No. 107 (Sale), and the importer is required to produce the foreign exporter's invoice, together with the freight notes, etc.

Board of Trade Orders are issued under the Acts in the *London Gazette* and in the *Board of Trade Journal*, and the regulations made

by the Commissioners of Customs and Excise are issued as notices to importers and agents.

The majority of articles which are liable to Customs duties on importation are charged with Excise duties if produced in the United Kingdom, and these exceptions introduce the only elements of protection into our Customs tariff. The approximate revenue received during the financial year 1927-28 was £111,620,000 from Customs duties and £139,200,000 from Excise duties.

While existing primarily for the collection of revenue, the Customs organization is utilized for many purposes in no way connected with the receipt of duty. These functions, undertaken for the common weal, have been thus described in a public lecture by a former Deputy Chairman of the Board of Customs: "We collect the Trade Statistics, though they are published under the name of the Board of Trade. We also undertake the duty of registration of ships and of collection of light dues, besides other important duties for the Board of Trade under the Mercantile Marine Acts. We perform the duties of Coast Police in reference to public health, preventing the introduction into the country of certain diseases, both of men and of animals, and of unwholesome food, as well as the moral pollution of vile literature. We are entrusted with the administration of the Merchandise Marks Act, so far as it prohibits the introduction of goods with misleading marks. We guard the copyright privileges of authors and artists. We prevent the importation of dangerous explosives without due precaution. We keep guard on the exportation of ships or other *matériel* of war to foreign belligerents, which might involve us in breaches of the laws of neutrality." To these duties have since been added the administration of the Aliens Acts, 1905 and 1919.

It is not proposed (indeed it would be impracticable) to give here detailed information respecting the transactions of Customs business, such as must be acquired by the clerk whose special work it is. This can be better obtained by inquiry at any Custom House, and from the official and semi-official publications issued from time to time. What it is desirable for the Manager of a business with an Import or Export Trade to have is a general knowledge of the Customs System of the United Kingdom, so as to be able efficiently to control this branch of his undertaking.

By an Order in Council made under the Finance Act, 1908, the

management of the Excise duties was, on 1st April, 1909, transferred from the Commissioners of Inland Revenue to the Commissioners of Customs. The amalgamated Customs and Excise Department is controlled by a Board of four Commissioners appointed by the Sovereign under the Great Seal on the nomination of the Treasury, to whom the Commissioners are directly responsible. The rules regulating the conduct of business within the Department are issued by the Board from time to time, and those affecting the business of traders are communicated to them verbally, or in the form of public notices, or as Statutory Rules and Orders, which may be purchased from H.M. Stationery Office or through any bookseller. Memorials and representations on matters not dealt with in the General Regulations, or appearing to require special treatment, should be addressed to the Board, who are, as a rule, ready to consider any case on its merits, and to grant special concessions within the limits of the law, provided good cause can be shown. Personal interviews can also be had on occasion. The Superintending branches, together with the clerical staff of the Port of London Establishment, are located in the principal Custom House of the Kingdom, situated in Lower Thames Street, City, on the left bank of the Thames below London Bridge. A Custom House will be found in every port, the status of the officer in charge varying according to the amount of trade and the size of the staff. At the principal outports (i.e. ports other than London) the chief official is styled a "Collector." Ports of less importance are in charge of "Collector-Surveyors" or "Surveyors," and the minor ones are in charge of "Officers," "Preventive Officers," or "Preventive Men." In London, the "Collector" is head of the Port Clerical Establishment, the Outdoor Department for landing, shipping and warehousing duties being in charge of the Collector, London (Port). The Department employs several thousand persons, a large proportion of them being stationed in London. The Outdoor Department consists of two branches: "Landing" and "Waterguard." In the former, the various grades of officers are entitled Inspectors, Surveyors, and Officers. These are usually engaged on "Landing and Shipping" and "Warehousing" duties. The Waterguard Branch is controlled by an Inspector-General, assisted at headquarters by an Inspector and two Assistant Inspectors, and the staff are graded as Superintendents, Chief Preventive

Officers, Preventive Officers and Preventive Men (formerly Boatmen).

In considering the Customs System, it will be necessary to keep in mind the broad distinction between free and dutiable goods, and, in this connection, it is interesting to note that, in a normal year, only about one-tenth in value of the goods imported are subject to tax.

The restriction of Customs Regulations, so far as they relate to dutiable goods, is, therefore, but slight as compared with countries which have a general tariff, and as regards such restrictions as are inevitable so long as any part of our revenue is raised by this means, it should be remembered that the Customs System "is helping to pay for the whole machinery of Government—civil, military, and naval—which alone makes commerce possible."

The commodities subject to Customs Duty on importation may be grouped as follows—

(a) *Ad valorem duties*—

The articles mentioned on page 78.

(b) *Specific duties*—

Beer.	Pottery.
Cards, playing.	Saccharin and similar substances.
Cinematograph film.	Silk and artificial silk.
Cocoa.	Spirits, and preparations containing
Coffee and chicory.	spirits, or in the manufacture
Condensed milk.	of which spirits have been
Dried fruit.	used.
Glucose.	Sugar and goods containing sugar.
Hops.	Table waters.
Matches.	Tea.
Mechanical lighters.	Tobacco.
Molasses.	Wine.
Oils (hydrocarbon).	

Composite goods containing any of these articles are dutiable, and some of them are assessed at specific rates. The Tea Duty is fixed by the Finance Act in each year and lasts for one year only. The other duties may also be varied by the same Act from year to year. A schedule of current rates may generally be found in any good almanac. As regards the first levying or repeal of any duty of Customs, the time at which the importation of any goods

is deemed to have had effect is, under the provisions of the Finance Act, 1901, the time at which the Entry for the goods under the Customs Act is delivered.

With a view to conferring a preference in the case of Empire products the Finance Act, 1919, and subsequent Acts, provided for the charging of lower rates of duty on certain goods which are shown to have been consigned from, and grown, produced or manufactured in the British Empire. The preferential rate must be claimed at the time of passing the import entry for the goods, and the claim must be supported by a certificate of origin in one of the approved forms. Full information as to the qualifications for and method of claiming the preferential rates are given in a notice issued by the Commissioners of Customs and Excise. A copy can be obtained free of charge at any Custom House, and importers and agents who deal with Empire goods should obtain a copy and become conversant with its contents.

In addition to the articles named above, on which a duty is leviable on importation, the following goods are either altogether prohibited, or are subject to special restrictions—

Copyright works.

Coin: imitation British, foreign bronze, etc.

Fictitious postage stamps or any instrument for making them.

Lottery advertisements.

Extracts or essences of coffee, chicory, tea or tobacco.

Indecent or obscene publications.

Snuff work, tobacco stalks, or stalk flour.

Explosives or materials or apparatus used in their manufacture.

Gold and silver plate.

Hops, dyestuffs.

Tobacco, sweetened or compressed.

Foreign prison-made goods.

Infected carcasses or parts of animals, etc.

Goods bearing marks infringing the Merchandise Marks Acts.

Tobacco, adulterated.

Dogs and other canine animals.

Horses, asses and mules.

Live animals, (i.e. cattle, sheep, goats and other ruminating animals, and swine).

Plants of various kinds.

Fish illegally caught.

Sealskins of certain kinds.

Matches made with white phosphorus.

Shaving brushes from Japan.

Opium and preparations thereof.

The *exportation* of arms, ammunition, military and naval stores, etc., may be prohibited by proclamation or Order in Council.

With reference to British marks on foreign goods, further consideration of the regulations is desirable in view of the fact that they apply to *all* goods and not merely to particular articles, as is the case with most of the other prohibitions. Under the provisions of the Merchandise Marks Acts, 1887 to 1926, goods bearing marks in any way suggesting British origin require, in order to legalize their importation, some counteracting qualification, such as "Made in Germany," etc. Government Departments are further empowered to submit to a special Committee the question whether it is expedient that given classes of imported goods be marked to show their country of origin. Upon an affirmative reply His Majesty may, by Order in Council, make an appropriate Order, and penalties are thereafter laid on all persons offering unmarked goods for sale. Goods not produced in the United Kingdom, such as wine and tea, and some special forms of manufacture which cannot be mistaken for home-made goods, such as Dutch cheese of the kind well-known to be made in Holland, are also exempt from its provisions as regards suggestion of British origin, so that certain marks which might be passed in respect of these goods would render other goods liable to detention. Besides marks suggesting British manufacture, however, there are other grounds of prohibition, such as a false trade description, whether as to place of production (as between one foreign country and another), as to quantity, mode of manufacture, material, etc. A wine produced in Germany, for instance, should not be described simply as "Sherry," which suggests Spanish origin, but should be described as German Sherry. The description "Port" or "Madeira," applied to wines other than those which are the produce of Portugal or Madeira respectively, though the description is accompanied by an indication of the actual country of production, is a false trade description. Wine from Portugal described as

“Port” must be accompanied by a certificate showing that the description is valid under Portuguese law. When the name of a place in a trade description is indicative merely of the character of the goods and is not misleading, no objection is taken. The description “Brussels Carpet” is an instance of this. Amongst the marks suggesting British origin are included, of course, the names and trade marks of manufacturers, dealers, or traders in the United Kingdom. The Board of Customs have established a system of registration so that any person interested may register his name or mark at such port or ports as he desires, with the object of preventing the importation of goods bearing such marks, or a colourable imitation thereof, without his authority. It must be understood, however, that the use by any manufacturer, etc., even of his own name or other mark indicating production in the United Kingdom is prohibited as regards foreign made goods unless such name or mark is properly qualified by a definite indication of foreign origin.

When any goods are detained on account of names or marks which have been registered at the Customs, notice is sent to the owner of the mark, and any detention beyond 48 hours is at his risk unless the marks are illegal apart from the question of registration. If prolongation of the detention is desired, security may be required by the Customs Authorities. Under the powers conferred by the Act, the following regulations have been made by the Commissioners—

(1) Goods prohibited to be imported as hereinbefore recited having applied to them forged trade marks, false trade descriptions, or marks, names, or descriptions, otherwise illegal, which upon examination are detected by the Officers of Customs, are to be detained by them without the requirement of previous information.

(2) In giving information with a view to detention, an informant must fulfil the following conditions, viz.—

(a) He must give to the Collector or Superintendent, or the Chief Officer of Customs of the port (or sub-port) of expected importation, notice in writing, stating—

The number of packages expected, as far as he is able to state the same :

The description of the goods by marks, or other particulars, sufficient for their identification :

The name or other sufficient indication of the importing ship :

The manner in which the goods infringe the Act :

The expected day of the arrival of the ship.

(b) He must deposit with the Collector or other officer, as aforesaid, a sum sufficient, in the opinion of that officer, to cover any additional expense which may be incurred in the examination required by reason of his notice.

(3) If, upon arrival and examination of the goods, the officer of Customs is satisfied that there is no ground for their detention; they will be delivered. If he is not so satisfied he will decide either to detain the goods, as in a case of detention upon ordinary examination, or to require security from the informant for re-imbursing the Commissioners or their officers all expenses and damages incurred in respect of the detention made on his information, and of any proceedings consequent thereon.

(4) The security thus required must be an immediate *ad valorem* deposit of £10 per cent on the value of the goods, as fixed by the officer from the quantities or value shown by the entry, and also, subsequently, a bond to be completed within 4 days in double the value of the goods with two approved sureties. The *ad valorem* deposit will be returned upon completion of the bond, and will not be required if, as an alternative where time permits, the informant prefers to give a like bond before examination upon estimated value of the goods declared to by him under statutory declaration. If the security is not duly given as above required there will be no further detention of the goods.

(5) In the above regulations the words "Officer of Customs" mean an officer acting under general or special direction of the Commissioners, and the words "value of the goods" mean value irrespective of duty.

(6) The "Notice" and "Bond" required, as above, shall be in the forms contained in the schedule to these regulations, or in such other forms as the Commissioners may from time to time order and direct.

(7) The security taken under these regulations will be given up at the times following; that is to say,

Where given before examination, and, if no detention, forthwith.

Where given on detention—

If the forfeiture is completed, either by lapse of time, or ultimate condemnation by a Court of Justice, then on such completion of forfeiture.

If the forfeiture is not completed, then

If the goods are released by the Commissioners, and no action or suit has been commenced against them, or any of their officers in respect of the detention, then at the expiration of three months from the time of detention; or if the goods are released for failure of proceedings taken for the forfeiture and condemnation thereof, upon information under Sect. 207 of "The Customs Consolidation Act, 1876," and no action or suit has been commenced against the Commissioners, or any of their officers, in respect of the detention, then at the expiration of three months from the trial of such information.

If, within such periods, as aforesaid, any such action or suit, as aforesaid, has been commenced, then upon the ultimate conclusion of such action or suit, and the fulfilment of the purpose for which the security was given.

(8) These regulations apply to transhipment and transit goods, as well as to goods landed to be warehoused, or for home consumption.

Let us now consider the means by which the objects of the Customs System are achieved.

In the first place, every ship coming into a port of the United Kingdom from "beyond the seas" must "bring to" at the appointed "Boarding Station" in order to take on board the Customs

Officers whose duty it is to make the first inquiries as to the ship, her cargo, and crew, to collect dutiable stores and place them under seal in some secure place on board, to make a record of these particulars. The Boarding Officer inquires as to the health of the passengers and crew, and if satisfied there is not, and has not been, any case of cholera, yellow fever or plague on board, he issues a Certificate of Pratique, permitting the vessel to proceed to her place of discharge. In doubtful cases the vessel is held for the inspection of the Medical Officer of Health. The passengers and their baggage are then landed, the former being interrogated by the Aliens Officer when necessary, and the latter examined by the Waterguard staff. The landing of any cargo whatever from foreign countries is prohibited except at places which have been approved by the Commissioners. Further, tobacco and plain spirits (as merchandise) can be imported only in ships above a certain tonnage, and in packages of a fixed minimum content. The importation of tobacco is further restricted to approved ports, a restriction which applies also to wine in casks. Trade samples of tobacco, etc., are subject to special regulations. Saccharin, including substances of like nature and use, can be imported only at approved ports and in packages of not less than 11 lb. net weight, a minimum which, it will be observed, precludes its legal importation by Parcel Post.

Within 24 hours after arrival, and before bulk is broken—except by special permission—the master of every ship must present at the Custom House an account in proper form of the cargo, giving the number of packages, marks, etc. In this "Report," high-duty goods, such as spirits, tobacco, and saccharin, have to be specifically described. They cannot be reported simply as "merchandise," as may be done with other goods. This business is usually performed by agents, but the master (or a ship's officer appointed by him) attends personally to answer certain questions and make the necessary Declaration.

The discharge of the cargo is subject to certain limitations as to hours, and the goods are generally landed into sheds for the Customs examination. Some of these sheds are specially approved by the Commissioners as "Transit Sheds," which have certain privileges. One of these is that they may be used for the reception of goods from a ship prior to report, the shed thus taking the place of the ship.

Before the goods can be "cleared" by the Customs, an "Entry" must be passed by the importer or his agent. In the case of dutiable goods, to be delivered for home use direct from the ship, the law requires that the Entry shall be passed before the goods are landed, except into an approved transit shed. These Entries are of various kinds according to the description and destination of the goods; but the object of all is to obtain from the importer an account of all goods, with particulars of their description, quantity in some cases, and value in all. The particulars enumerated are declared to be true. The Entries and Report are afterwards compared and checked one against the other, and any discrepancies have to be accounted for by the agent for the ship or the importer as the case may be.

Goods exported are dealt with in a somewhat similar fashion. The agent for the ship is required to deliver to the Collector an account, in the form of a "Manifest," of all goods sent in the ship, while the exporter himself must deliver, within six days, a "Specification" of the goods exported by him. The total of the Specifications must agree with the Manifest.

To render possible the classification and tabulation of our import and export trade, the Entries and Specifications referred to in the preceding paragraphs, in addition to giving the commercial designation, must describe the goods in accordance with headings set out in the official Import and Export List, which may be obtained through any bookseller or direct from H.M. Stationery Office, London, W.C.2. This list, which came into use on 1st January, 1920, superseded the old Import and Export Lists and Appendices. Goods are divided therein into the following classes—

- (1) Food, drink and tobacco.
- (2) Raw materials and articles mainly unmanufactured.
- (3) Articles wholly or mainly manufactured.
- (4) Animals, not for food.
- (5) Parcel Post, non-dutiable articles.

The first three classes are sub-divided into numerous groups. Throughout the list the headings marked "I" apply to imported goods and re-exports thereof; headings marked "E" apply to exported goods of United Kingdom produce and manufacture; and all other headings apply to both imports and exports. There

is an alphabetical index to assist in finding the correct heading for the various kinds of goods.

Where any denomination of tale, weight, or measure is affixed to an article in the list, the *quantity* of such article is required in that denomination in addition to the *value*, which is to be given in every case. Import values are "c.i.f."; export values "f.o.b." For imports, the name of place (or country) of consignment must be given, and for exports the country of destination. Foreign goods re-exported are to be described according to the Import headings and entered on the foreign (red) forms of specification.

The officials whose duty it is to check these entries naturally become expert in comparing quantities and values, etc., and in case of doubt have power to call for documentary evidence of correctness. This power is pretty freely used, and instances of frequent or gross inaccuracies are met by fines, which it is in the power of the Commissioners to impose. This matter of fines touches the question of staff. Occasional errors are human and inevitable, and in dealing with incorrect declarations, the Customs Authorities take into account the general reputation of the firm as well as the magnitude of the particular offence. There are some firms which, in the course of time, pay an appreciable amount in fines of this kind. In some concerns, it is the practice to charge the clerks responsible for the errors with the monetary consequences of their mistakes; but this does not seem a very desirable or magnanimous proceeding. It would be better to take a little extra care in the selection of the men assigned to this branch of the work, and thus avoid, as far as may be, the causes of the trouble.

Special care should be taken to avoid the entry of dutiable goods on a "free entry" form, as this irregularity is regarded somewhat seriously. Forwarding agents have the greatest need to be on their guard in this respect, and they cannot be too careful in dealing with goods advised by foreign shippers under some general description, such as, say, "Chemical Manufactures," which may be liable to duty at the rate of 3s. 9d. per oz. as saccharin. Care is also needed with goods described as "Drugs," "Toilet Preparations," etc., which may be found to contain spirits or sugar. Goods vaguely described as "Machinery Parts" or "Hardware" may be dutiable as parts or accessories of motor-cars, musical instruments, or clocks and watches. It is wise in

such cases for agents to obtain a definite declaration from the actual importers that the goods are free of duty before passing a free entry, so that any penalty inflicted for a revenue offence can be charged to them. The offending firm has to prove its *bona fides* in such a case, and even then is not, as a rule, let off scot free.

When any doubt exists as to the exact nature of the goods or as to their quantity, etc., a way out of the difficulty is provided by the form of entry known as a "bill of sight." This enables the importer to describe the packages as "contents unknown," and the goods may then be landed and examined in the presence of a Customs Officer. The entry must be "perfected" within three days by endorsement on the back, the document being thus made equivalent to one of the forms mentioned below.

Provided sufficient particulars of the goods have come to hand there need be no difficulty. A "Free Entry," as the name implies, is used only for goods free of duty; a "Warehousing Entry" is required when goods liable to duty are to be placed in a bonded warehouse; while a "Home Use" Entry enables the importer to pay duty immediately, and to take delivery from the ship's side. Saccharin, however, and similar articles *must* be warehoused on importation. Cavendish and negrohead tobacco must be warehoused on first importation, and may not be delivered for home use until the duty has been paid and the tobacco packed, wrapped and labelled according to law. Foreign gold and silver plate must on first importation be entered for warehousing, and sent to an approved Assay Office to be assayed and stamped before delivery is allowed.

The bonded warehouse system, which has existed in some degree since 1700, serves to mitigate to a considerable extent the inconvenience of the Revenue restrictions, and very great use is made of it. The regulations applying to warehouses under the charge of the Customs and Excise respectively are identical. The proprietor of each warehouse is under bond to the Crown for payment of duty on any goods illegally removed therefrom—this, of course, in addition to his responsibility to the owner of the goods placed in his charge. Any building which complies with certain conditions laid down by the Customs and Excise Authorities, and is approved by one or other of them, may be used for the purpose. It must be shown that the accommodation is required by the trade of the port.

These warehouses, except when open for receipts and deliveries, are kept under Crown locks.

Warehoused goods can be either duty paid for home consumption or exported under bond. Some goods, such as tea, coffee, cocoa, and saccharine are charged on delivery for home consumption with duty at the landing weights, in other cases on the quantities found at time of delivery, with certain allowances for alterations in bulk or weight arising from natural causes while the goods are in the warehouse. Operations such as sampling, sorting, and blending are allowed on request and under proper supervision, and the ownership in the goods may freely pass from one person to another by means of a negotiable instrument known as a Dock Warrant issued by the Warehouse Keeper. The goods may also be removed from one warehouse to another under bond.

The Home Consumption Entry mentioned in the last paragraph must be distinguished from the Home Use Entry referred to above. The latter is frequently called a Prime Entry from the fact that, should the quantity entered be found to be short of the actual amount, a Post Entry on a similar form must be passed for the shortage. On the other hand, should the quantity entered be too much, the excess duty is returned to the importer by an Over Entry Certificate. Such discrepancies as are here referred to are recognized as a part of the system, and are not in the nature of irregularities. Free, Warehousing, and Home Use Entries are required in duplicate. One copy goes to the Landing Officer, and serves as a warrant for the clearing of the goods. The other, known as a *Bill*, is used for statistical purposes. Warrants are periodically transmitted from the Custom House to the Docks by official messengers, but importers will sometimes find it advantageous in cases of urgency to employ their own messengers for the purpose. Amendments of entries within certain limits are allowed by the local officers.

The forms used for these entries, and some others, have to be supplied by the merchant at his own expense. They are officially printed and are obtainable from agents appointed for their sale, usually stationers in the proximity of the Custom House. The forms may, however, be printed privately, so long as they conform to the official style. It will depend on the number used which method of obtaining supplies is the more economical. Merchants

using a large number of forms may effect a great saving of labour by having the name of port, name and address of importer, and other frequently used particulars printed on their own privately printed forms.

If it is desired to re-import dutiable goods previously duty-paid and afterwards exported, a " Bill of Store " must be passed and, on verification of the export particulars, importation will be allowed without a second payment of duty. This privilege is confined to British goods and to foreign cinematograph films, motor-cars, musical instruments, and clocks and watches. Other foreign goods, if re-imported, whether duty has been paid at a previous importation or not, are liable to the same duties, rules and regulations as if imported for the first time. If Drawback (see page 94) has been paid on exportation, this must, of course, be refunded.

Bullion, diamonds, and coin must be entered in a special form within 72 hours of arrival, under a penalty of £20. They are allowed to be landed and cleared upon a printed request (addressed to the Examining Officer), carefully made out, stating the true weight and value, and upon production of a Bill of Lading. Every separate address, or mark, should be given, with the number of the packages on the back of the request, which should be ruled as follows—

Mark.	No. of Packages.	Weight Ozs.	Value £.	Description	Whence.

Sometimes bullion and coin are cleared at the Mint or the Bank of England. When the importer desires this, he must pay for the officer's attendance. Values are to be worked out as follows—

British Gold Coin	..	..	..	..	£3 17 10½ per oz.
Foreign „	„	..	..	..	about £3 16 0 „
Gold Bullion from	..	..	..	..	£3 to £4 „
Silver „	..	..	..	..	Market value

Goods in transit deserve special consideration. By taking advantage of certain facilities offered by the regulations, the expense and delay of a full examination of the goods will be avoided. These regulations apply to (1) Transshipments within the same port, and (2) Goods for removal by rail in transit between ports in the United Kingdom.

Transshipments are allowed only at fourteen approved ports, and the goods must be reported specifically as "in transit." A Transshipment Bond in an approved form must be entered into and a Transshipment Bond Warrant, containing a full description of the goods, must be passed. A Transshipment Delivery Order and a Shipping Bill are then issued, when the goods may be conveyed from the importing to the exporting vessel by a licensed lighterman or carman. The importer may have to pay for the attendance of an officer to accompany the goods. If not shipped within a reasonable time, the usual entries (free or warehousing) have to be passed.

Goods imported in transit for removal by rail between ports in the United Kingdom, to which the privilege of removing goods under the transit regulations have been conceded by the Board, must be reported "in transit." The railway company receiving the goods for conveyance must enter into a standing bond for the delivery of such goods into the care of the proper officers at the port of exportation; if an officer is sent in charge, a return railway ticket, or pass, together with an insurance ticket for £500, must be provided, and a deposit made to cover expenses; the goods must be delivered without delay from the importing vessel into the railway vans (which are placed under Crown locks, and also, when not accompanied, officially sealed) and delivered into Customs charge at the port of shipment within 48 hours thereafter, excluding Sundays and holidays.

Goods removed under these conditions are ordinarily exempt from examination. A further form of procedure—in which the goods are subject to examination—is provided for free goods in transit on through Bills of Lading when it is not desired to give bond. The following regulations apply to any port—

- (1) The importer hands in a special (green) form of entry (No. 15, Sale).
- (2) If the importer knows the name of the exporting vessel, he may land in a green specification (Sale Form No. 16), which will take the place of the duplicate entry.

- (3) If the goods are exported by more than one vessel separate Specifications for each are required, giving only number of packages, with their marks and numbers, quantities and values being given by a Covering Specification, corresponding with the Entry.
- (4) If not shipped by the vessel named, Specification to be amended within six days from the date of ship's clearance.
- (5) If the exporting ship or ships cannot be named the entry (No. 15) will be passed in duplicate, and the Specification (No. 16) will be required when the goods are exported.
- (6) Goods to be described according to the Official Import List, and quantities to be fully stated.

It should be understood that all opening and closing of packages required for Customs examination, whether on importation, transshipment, or exportation, must be done by the proprietor (or his agent) and at his expense.

Some remarks on the Exports Regulations must close this chapter.

With free or duty-paid goods generally, all that is necessary is to hand in a specification, as already stated, but certain goods are restricted on exportation. No unclean or unseasonable salmon, and no salmon caught during the time at which the sale of salmon is prohibited in the district where it is caught, may be exported or entered for exportation from the United Kingdom to any ports beyond the seas. Penalty: £5 for *each salmon* exported or entered for exportation. Salmon, explosives, arms and munitions of war must be entered before shipment. In the case of arms and munitions, the final or actual destination of the goods is to be clearly established to the satisfaction of the Export Clerk.

In the case of goods exported in vessels carrying cargo for several ports or places, and also of goods destined for different countries or places beyond those to which the vessels in which they may be exported are bound, being subsequently transhipped into other vessels, or sent by some continuous system of water and land carriage, the Commissioners of Customs have directed that the actual and ultimate destination of such shipments shall be stated in the specification, and the Commissioners request the co-operation of all shippers in furnishing such information, so as to secure the publication of correct statistics.

A ship built in the United Kingdom, and not registered as a British ship; when she departs on her first foreign voyage is treated both as goods (the builder or owner being the exporter) and as an exporting ship.

The regulations with regard to warehoused or drawback goods are naturally more exacting than those for free or duty-paid goods. The expression "drawback goods" refers to goods upon which duty has been paid and upon the exportation of which (or deposit in warehouse) drawback—i.e. the return of the duty—is allowed. The goods upon which Customs drawback is granted are: Foreign beer, coffee, chicory, tobacco manufactured in the United Kingdom, stalks, shorts or other refuse of tobacco, sugar (British refined), British-made goods containing sugar, molasses, glucose, saccharin, cocoa and dried fruit. Excise drawback is allowed in respect of British beer, British spirits, glucose, or saccharin made in the United Kingdom, and tobacco and chicory grown in the United Kingdom. In addition, certain allowances are granted on the exportation of British spirits, tobacco grown in the United Kingdom, and matches made in the United Kingdom, in consideration of loss caused by the Excise regulations. The drawback is payable on a debenture (see p. 95) issued by the Customs. The declaration on the left of the form (and, of course, the receipt at the foot) must be signed on behalf of the exporting firm, and the document can then be negotiated through a bank if desired.

A drawback is not, of course, in the nature of a bounty. It simply puts the exporter in the same position as he would have been had no duty been payable on importation. In the words of Adam Smith "Drawbacks tend to preserve what it is in most cases advantageous to preserve—the natural division and distribution of labour in the society."

The following is an extract from the Customs Act—

No warehoused or drawback goods shall be shipped, put off, or water-borne to be shipped for exportation from any port or place in the U.K. on Sundays or public holidays except by special permission of the Commissioners of Customs, nor from any place not being a legal quay, wharf, or other place duly appointed for such purpose, nor without the presence or authority of the proper officer of Customs, nor before due entry outwards of such ship and due entry of such goods, nor before due clearance thereof for shipment.

A ship exporting drawback, warehoused, or transhipment goods must not be of less than 40 tons register. By law, a ship must be *cleared inwards* (an operation performed by the officers on completion of the discharge of inward cargo) before shipment of outward cargo; but in practice, at the larger ports, the entry outwards is allowed to be deposited (by the master or his agent)

Port of _____

This is to Certify that _____ of _____ (a) Licensed Manufacturer, (a) De-
 did enter on the _____ day of _____ 19 _____, to be exported to _____ *via* _____
 when applied

in respect of which Bond has been taken, as directed by the Act 39 & 40 Vic, cap. 36, and that _____ thereof were shipped and exported on board _____

the _____ at _____ the _____ day of _____ 19 _____

Surveyor

Officer.

19 _____

£ s. d.

The Drawback on the Goods above specified, amounts to _____

Pounds _____ Shillings and _____ Pence.

Signed and declared

this _____ day of _____, 19 _____,

in the presence of _____

pro Collector.

Collector.

19 _____

Examined & Enfld. _____ Accountant and Comptroller-General.

19 _____

RECEIVED this _____ day of _____ 19 _____ of the Honourable Commissioners of His Majesty's Customs the sum

of _____ pounds _____ shillings and _____ pence, in

full of this Debenture

NOTE.—This Debenture must bear an impressed stamp of the value
 of 1s. 0d. if the amount does not exceed £10.
 of 2s. 6d. " " " " £50.
 of 5s. 0d. " " exceeds " £50.

No. 269. (See No. 17600 1903)

at the time of the ship's report inwards, and export officers take care that no outward cargo is shipped until complete separation between inward and outward cargo is assured. Vessels discharging inward cargo at one or more ports in the United Kingdom may be entered outwards for a foreign destination, and may take on board export cargo provided it can be separated from the inwards cargo to the satisfaction of the officers. On the same conditions, goods may be carried coastwise in a vessel from foreign parts before the discharge of the whole of the foreign cargo, the prohibition in the Customs Consolidation Act having been repealed.

FORM OF REQUEST

To the Surveyor or other proper }
 Officer at the Port of }
 I request to ship on board the.....from.....
 now bound for.....viâ ¹
 the undermentioned goods to be discharged at.....

Marks	Number of packages, etc.	Description of goods
-------	--------------------------	----------------------

¹ To be filled in when the vessel is to discharge at more than two ports.

Before the exportation of goods deposited in a bonded warehouse, or on which drawback is claimed, a bond for due exportation must be given by the exporter with sufficient sureties. A bond for this and other purposes may be in respect of a single transaction only, or it may be a General Bond to cover any number of transactions of the same kind. In the latter case, a Notice of Exportation only is required on each separate occasion.

A bond having been given, a Bond Warrant must be passed in order to release the goods from the warehouse. Spirits and unmanufactured tobacco are generally accompanied by a permit—a form describing the goods and stating number of packages it covers, a sort of voucher attached to the goods themselves. For direct exportation (i.e. shipment at the same port), the proprietor must prepare and hand in a Shipping Bill (Customs Form No. 64), and (in London) when the goods are conveyed wholly or in part by lighter this is supplemented by a Shipping Note (an advice to the Shipping Officer, Customs Form No. 58). In London, goods from the Customs warehouses carried by cart or lighter for direct exportation must be conveyed to the ship by a carman or a

CHAPTER IX

Means of Transport: Canals, Railways, Tramways, Carriers, Ships—Rate of Carriage—Insurance, etc.

RAILWAYS of a kind have existed since 1759. Prior to that date, the only practical means of conveyance for merchandise were, in the then state of the roads, the great river systems of the country, and, early in the 17th century, in order to facilitate the haulage of goods to the waterways, the practice of laying down slabs of stone or blocks of timber flush with the surface of the roads began to be adopted. In this rough and ready method of overcoming the difficulties occasioned by the ever-deepening ruts our modern railways were foreshadowed. With the introduction and promotion of canal systems (as distinguished from river navigations), this method of making roads became more general, and in 1776 the Canal Companies themselves were being granted powers to make railways in connection with their properties. Iron was being substituted for wood and stone, and the broad level surface began to be abandoned in favour of grooved or flanged metals. The adoption in 1789 of a flanged *wheel* was a great step forward—probably the greatest improvement until the substitution of steam for horse haulage.

The connection between railways and canals has thus been more or less close from the first. The growth of canals meant a corresponding growth of railways, and with the development of steam engines the infant soon outgrew the parent and became a powerful and successful rival. Indeed at one time there seemed to be cause for fearing that the relations would approximate to those existing between the lion and the lamb—with the lamb inside. In the years 1845-7 (the three mad years of railway speculation, when Parliament sanctioned no less than 580 new railways, many of which were never begun), nearly a thousand miles of canals passed under railway control. The railway policy is pretty obvious, and it has been the more successful owing to the fact that the canal proprietors, frightened by the prospect of impending bankruptcy as the result of railway competition, were only too glad to sell or to lease their systems to the railway companies.

In 1888, Parliament intervened with the Railway and Canal Traffic Act of that year, which empowered the Railway Commission, on being satisfied by an interested person that the canal rates levied by the railway companies were such as to divert traffic from the canal to the railway, to order the rates and tolls to be amended in such a way as appeared to them to be reasonable. This power is necessarily limited in effect, and as a matter of fact smacks somewhat of locking the stable door after the steed has gone, for by this time nearly a third of the four thousand miles of our inland waterways were owned by railways. To realize the full effect of this fact, it should be remembered that these railway-owned canals, some of them but "little better than ditches of mud and stagnant water," form parts of systems which should give through-communication between the great centres of commerce.

The advantages of canal transport—cheapness, immunity from risk of damage by shunting, etc.—when time is not of prime importance, need no demonstration. They were long ago recognized in France, Germany, and other Continental countries to such good effect that "it costs less to bring sugar from Hungary, thousands of miles across Europe to London, than to carry the same sugar over our own rails from London to Manchester." Even with the disadvantages our inland navigations have at present to contend with, they have carried in a single year as much as 40,000,000 tons of goods, and, although this may seem a small figure compared with the 300,000,000 tons carried by railways in the same period, it is a remarkable total when the difficulties are considered.

One of the greatest drawbacks connected with the canals is the manner in which they were constructed. Each navigation was undertaken as a purely local concern, and without regard to other systems of which it was destined to form a part. The consequence is that, even when there is through-communication, the gauge, capacity of locks, and depth of water vary in different sections, and it is, of course, the lowest capacity which sets the standard for the whole. As an illustration, a single instance may be given. One of the most important of our waterways is that between Liverpool and Hull, formed by the Liverpool and Leeds Canal, the Aire, and the Calder. The latter part of the route will accommodate vessels 120 feet long and drawing 7 ft. 6 in., while the earlier part can only accommodate boats of half that length and draught. M.

interesting information on this subject will be found in Bradshaw's *Canals and Navigable Rivers of England and Wales*.

At present, it is but a matter of surmise as to the directions in which, exactly, reforms will take place; but, with the revived interest in the subject, with the advent of the motor boat on the one hand and the motor road wagon on the other, the pre-eminence of railways seems to be threatened, and it is hardly too much to say that the next few years will see considerable changes in the means of transport for merchandise. It is somewhat curious to note that, although railways were originally intended only for the carriage of goods, it was found, soon after their coming into general use, that the greater part of their revenue was derived from passenger fares. At the present time, however, about three-fifths of the receipts are derived from the carriage of goods.

For many years, a process of amalgamation of railway companies has been going on, and the railways of Great Britain were, under the Railways Act, 1921, organized into the following four groups: the Southern Railway, Great Western Railway, London Midland and Scottish Railway, and London and North Eastern Railway. If the time for nationalization comes, the change will be the simpler for this process. One important effect of this change is seen in the greater facilities for through-traffic, and, by the Railway and Canal Traffic Act of 1854, the duty of providing these facilities is laid upon the companies whenever possible, as well as that of avoiding undue or unreasonable preference in favour of any particular person or class of traffic. This prohibition of undue preference does not, however, prevent the Company from quoting special rates (a) to traders sending large consignments of goods at regular intervals (provided they are ready to give the same terms to any other person under the same conditions), or (b) between certain places when it can be shown that this is in the public interest. The power of enforcing compliance with the provisions of the Act is vested in the Railway and Canal Commission, consisting of five Commissioners, two of whom are appointed by the Board of Trade, the other three being Judges who act *ex officio*. Any person receiving or sending, or desiring to send, goods by rail, who considers that he is being treated unfairly, or unreasonably, may apply to the Commission or lodge a complaint with the Board of Trade.

The earliest railways were apparently formed with the intention

of common use in the same manner as high roads, and by law anyone can claim the use of a railway for his own engines and carriages—subject to conditions. That right has for many years been a dead letter, except for such instances as the provision of private wagons by the proprietors of collieries and similar undertakings. Any person, too, may lay down a branch railway or siding to communicate with the main line, and the Company are bound to make (at the cost of the person requiring the same) the necessary connections. This right is also subject to many qualifications, and private sidings are nearly always put in under agreement between the trader and the Company.

The power to act as carriers, and to charge for their services, was conferred by the Railway Clauses Consolidation Act of 1845, which also provides that the Company shall not bear a greater liability than that of a common carrier. The Company may refuse to be common carriers of any particular class of goods, and, on their giving notice to the public to that effect, the procedure is governed by the provisions of the Traffic Acts under which "reasonable facilities" for the conveyance of such goods must be given. The

of the present position is from Preston's *Manual of Railway Law*—

“Railway Companies are bound to carry goods which they have facilities and appliances for carrying. Those goods which they profess to carry as common carriers they become insurers of. Those goods which they do not profess to carry as common carriers they become liable for, if lost or damaged through the negligence or default of their servants in receiving, forwarding, or delivering them, unless the goods are carried under a special contract. No mere notice is now held to be valid, or to operate as such special contract, but conditions may be incorporated into any contract between the Company and the owner or sender which is in writing, and signed by the latter; and to the extent to which these conditions are held to be just and reasonable the liability of the Company for the negligence or default of their servants is qualified.”

Carriers have a lien on goods at common law in respect of charges for carriage. This does not, however, imply that they may dispose of such goods, but where goods are carried by special contract a clause is sometimes inserted giving the Company further powers, including the power of sale. Traders doing a regular business with a line of railway frequently open a Ledger Account with the company, and in such cases the agreement generally includes a clause giving the company a lien on goods for any money due on the account.

It is important to distinguish between the duties of railway companies as common carriers and as warehousemen. Where the company contract to deliver to the consignee, liability continues until delivery is effected, but where the Company do not undertake to deliver, the practice is for them to issue to the consignee an Advice Note stating the time within which the consignee is expected to take delivery of the goods. On the expiration of that time, the company cease to be carriers and become warehousemen with warehousemen's liabilities. That is to say they become liable only for loss or damage resulting from the negligence of themselves or their servants, and in the event of goods being (say) accidentally destroyed by fire, the loss will fall on the owner.

At any time during the transit of the goods, a consignor has the power to stop delivery to the consignee and to require that the goods shall be returned to himself. This right is termed “stoppage in transitu,” and is exercised in the event of the insolvency of a buyer

becoming known to an unpaid seller after the goods have been delivered to the carriers. If, however, the buyer has in the meantime sold the goods to a third party the consignor loses his right.

In the case of loss or damage on the railway, the proper person to apply for compensation is the owner of the goods, whether this be the consignor or the consignee, except that where the goods are carried under a special contract the right of action lies with the person with whom the contract was made. When goods are booked at through rates over the lines of more than one Company, the Company to whom the goods were delivered for conveyance can be sued for loss or damage, whether such loss or damage took place on their own line or not, unless the goods are carried under a special contract specifically exempting that Company from responsibility for the goods when they have passed off their system. In that case, an action would lie against the company on whose line the loss or damage occurred. When goods are consigned for a special purpose—such as a particular market, or for exhibition—it will facilitate the recovery of damages in the event of undue delay if notice of the special circumstances is given to the company at the time of the consignment. Special contracts frequently contain a condition to the effect that claims shall be made within a certain time. It is important, therefore, that examination of the goods should be made as soon as possible after delivery. In the case of certain animals, the liability is, in the absence of a declaration and the payment of insurance rates, limited to specified amounts laid down in the Railway and Canal Traffic Act of 1854.

For many classes of goods, two rates are quoted by railway companies, one of which is the ordinary common carrier's liability rate, and the other the "owner's risk" rate. As to which it is to the owner's advantage to employ must, of course, depend on the circumstances, the difference in the rates, the character of the goods, and their inherent liability to damage or otherwise, the exact conditions of the O.R. rate, and so on. The owner's risk rate does not imply the exemption of the company from the consequences of the wilful misconduct of their servants, but whether it would exempt the Company in the case of mere negligence would depend partly on the conditions of the contract and partly on the view taken by the Court. In the specimen on page 104, liability for wilful misconduct only is accepted (if proved).

L. M. S. RAILWAY

Consignment Note for Goods to be carried at Reduced Rates

The L.M.S. Railway Company hereby give Notice that they have two rates for the carriage of the undermentioned Goods, at either of which rates the said goods may be consigned, at the sender's option ; one, the ordinary rate, when the Company take the ordinary liability of a Railway Company ; the other, a **REDUCED RATE**, adopted when the Sender agrees to relieve the Company and all other Companies or persons over whose lines the goods may pass, or in whose possession the same may be during any portion of the transit, from all liability for loss, damage, mis-delivery, delay, or detention (including detention of Traders' Trucks), except upon proof that such loss, damage, mis-delivery, delay, or detention arose from wilful misconduct on the part of the Company's Servants.

To the L.M.S. Railway Company

Receive and forward the undermentioned Goods, to be carried at the Reduced Rate, below the Company's ordinary rate, consideration whereof I agree to relieve the L.M.S. Railway Company and all other Companies or persons over whose lines the Goods may pass, or in whose possession the same may be during any portion of the transit, from all liability for loss, damage, mis-delivery, or detention (including detention of Traders' Trucks), except upon proof that such loss, damage, mis-delivery, delay, or detention arose from wilful misconduct on the part of the Company's Servants. And I also agree to the Conditions on the back of this Agreement shall be deemed to be separately made with all Companies or persons passing the Goods on the back of the Goods are carried.

Signature of Sender or his Representative.

[illegible]

Goods which may be required "To wait order" at any particular Station, must be so consigned.

A railway company cannot be compelled to carry aquafortis, oil of vitriol, gunpowder, lucifer matches, or any other goods which the Company may deem to be dangerous, and anyone sending such goods without distinctly marking the packages containing them, or otherwise giving notice of their nature to the Company, is liable, under the Railway Clauses Act of 1845, to a penalty of £20 to be forfeited to the company. The Explosive Substances Act, 1875, requires every railway company to make by-laws, subject to the approval of the Board of Trade, for the loading, conveyance, and unloading of the explosives named in the Act, and the Company is liable to penalties for irregular dealings with such goods ; but the liability may be transferred to the consignor or consignee if it can be shown that the fault lies with either of them.

The Great Western Railway Company have given public notice that the following articles, or any of a like nature, are, in the judgment of the Company, of a dangerous character, " that they are not and will not be common carriers of any of them, and that they will carry them only at owner's risk, by special agreement and under special conditions "—

Ammonia Solution
Acetic Acid
Benzoline, Benzine, Benzol, and all other dangerous Oils or Spirits
Blasting Powders and Blasting Gelatine
Bleaching Liquids
Bromine
Carbide of Calcium
Cartridges
Chlorate of Potash and Chlorate of Soda
Chloride of Sulphur
Collodion
Methylated Spirit
Naphtha (of any description, including Petroleum Spirit)
Nitrate of Iron
Nitric Acid
Oil of Vitriol, or Sulphuric Acid
Oily Canvas and Oily Paper for Packing
Oily Rags, Oily Waste, and Oily Felt

Cotton Gunpowder
Compressed Gases
Dynamite
Ether
Fireworks
Fluoric or Hydrofluoric Acid
Fog Signals
Fuses
Gasoline
Guncotton
Gunpowder
Hydrochloric or Muriatic Acid, or Spirits of Salts
Lucifer Matches
Fer-Chloride of Iron
Petroleum, and all volatile or highly inflammable products thereof ; also all Coal-tar products of like properties
Phosphorus, and cases that have contained Phosphorus
Pudrolythe
Rubber Solution
Saxifragine

And the Company further give notice that the following goods or any of a like nature, are, in the judgment of the Company,

dangerous, and that they will not carry them on any terms whatever—

Bisulphide of Carbon, Dualine, Glonoline Oil, Glyoxiline, Lithofracton,
Methylic Nitrate, Nitro-Glycerine, Pyrolythe.

For many articles named in the first list (and similar goods), various special forms of consignment notes are provided, each with its special set of conditions. For instance, one such form is used for carbonic manifold paper, cloth (cotton or linen) oil dressed, oily rags, oily waste, oil mill sweepings, oily paper, oily canvas, oily cap peaks, oily canvas clothing ("oilskins"), oily sponge cloths, fishing and garden netting (oil dressed), carbon black, vegetable black, lamp black, charcoal (wood), charcoal dust, charcoal blacking, coal dust, moulders' dust, moulders' black, founders' dust, iron powder and zinc or tutty powder. The conditions are (1) that the company accept liability only for *wilful* misconduct, and (2) that the consignee removes the goods from the station within 24 hours after he has received the company's advice note of arrival.

By the Carriers' Act, 1830, common carriers are exempted from liability for the loss of or injury to any package containing certain specified goods, arranged in four classes, when the value exceeds £10, unless the nature and value of the contents are declared, and, if demanded, an increased charge paid. In consequence of a report by a Parliamentary Committee published in 1877, most of the principal railway companies bound themselves to charge uniform rates for such insurance. These rates apply whether the goods are conveyed by goods or passenger train, but parcels up to 28 lbs. in weight are insured only when sent by passenger train.

Under the Railways Act of 1921 a new tribunal, called the "Railway Rates Tribunal," was set up, and nearly all the powers of the old Railway and Canal Commission were transferred to it. It was also given many new powers, notably the settlement of the schedules and charges of the amalgamated companies. The Tribunal consists of three persons; a lawyer is chairman, and the other two members have, respectively, railway and commercial experience.

The Act laid down an entirely new principle as governing the basis of charges for carriage. Under Section 58, the charges are to be based so as to yield an estimated amount of net revenue (called the "standard revenue") equal to the total net revenue in 1913 of all the companies now amalgamated, plus allowance for interest

on new capital coming into use since 1913. The charges are to be periodically reviewed, and if the Tribunal finds that the actual net revenue of any company is substantially in excess of the standard revenue the excess is to be allocated, as to 80 per cent in reducing charges and as to 20 per cent to the company as profit. The standard revenue is then automatically to be increased by the 20 per cent mentioned.

To the Tribunal was also delegated the very important duty of reducing the complexity of the old rate books, which were alleged to contain more than 80,000,000 exceptional rates, many of them being obsolete. Since the passing of the Act, the Tribunal has been continuously engaged in ascertaining the standards, and in hearing representations by organizations and by the railway companies as to traders' rates. Meanwhile the old book rates (which had been increased up to 100 per cent from September, 1920) were successively reduced until at the beginning of 1925 they were 50 per cent above the pre-war level, subject to variation in numerous particular instances.

As from 1st January, 1928, the Tribunal substituted an entirely new scheme of rates. New rate books were issued to every station in the United Kingdom, showing the mileage between pairs of stations. With a view to reducing the number of "exceptional" rates the old eight classes have been replaced by 21, and the actual rate can be found by applying the appropriate "class" scale to the ascertained mileage. The books show exactly how the rate is made up, the standard rates being "station to station," but there is a standard rate of cartage charges to be added whenever cartage is performed by the railway companies. A standard classification, revised to meet modern conditions, has been officially published in these volumes.

The new charges are uniform throughout Great Britain, and for a given mileage the charge is the same irrespective of locality or direction. The plan on which the rates have been built up is interesting; formerly the charges on each railway were separately computed, but now a "zone" system is substituted under which for each mile over twenty miles the average cost per ton per mile decreases as the distance increases.

Exceptional rates have been largely reduced in number, although it has been found impracticable to abolish them altogether. Where,

however, an old exceptional rate is within 5 per cent either above or below the standard it has been cancelled and the standard charge applies. As a general rule those 5 per cent or more below the standard are being continued, and have been entered in the books as actual chargeable figures, but those more than 40 per cent below the standard are being referred in detail to the Tribunal. Exceptional rates in excess of the standard have been reduced to standard.

The Tribunal has also arranged standard conditions fixing the liabilities of the companies respecting loss of, and damage and delay to, goods.

Where goods are sent by rail to another place for shipment, it is generally necessary to employ an agent at the loading port, to whom an advice in the usual form is sent. The agent attends to the shipping of the goods, complies with the Customs and Dock or Harbour Board requirements, effects insurance on the goods when desired, and takes out Bills of Lading, which he sends to his principals with an account of charges, commission, etc. In order to prevent delay, trouble and expense, great care should be taken that sufficient and accurate information is given to the agent to enable him to perform the services required of him.

The rates for water carriage (freights) are liable to no such restrictions as apply in the case of railway transport, and the liabilities of a shipowner are not necessarily the same as those of a railway company or other land carrier. At the same time, the cargo is liable to risks which do not exist during carriage by land. It may happen, for instance, that, in consequence of war, or from some other cause, it is impossible to land the goods at the intended destination, and it may be necessary to sell them at some place other than the one originally intended, for which purpose the captain becomes the agent of the owner of the goods—and, as such, bound to do the best he can, but he is not rendered liable by the exigencies of the case. Or the goods may be lost altogether. If through stress of weather, the captain finds it necessary to throw the cargo overboard, he incurs no liability by so doing. It is, therefore, a practically invariable rule to insure all goods sent over sea. Some questions connected with insurance will be dealt with in a later chapter; for the present, we concern ourselves with the relations between the shipper and the shipowner, but we may note

in passing that, by the Sale of Goods Act, 1893, it is provided that "unless otherwise agreed, where goods are sent by the seller to the buyer by a route involving sea transit, under circumstances in which it is usual to insure, the seller must give such notice to the buyer as may enable him to insure them during the sea transit, and if the seller fails to do so the goods shall be deemed to be at his risk during such sea transit."

It is a very common thing now for railway companies to own steamboats. When this is the case their liability does not differ, as regards the sea portion of a journey, from those of shipowners, even though traffic may be booked through partly by rail and partly by sea; and where a contract is made by a railway company to carry by sea, their liability is the same whether the goods are carried in vessels of their own or not. The land portion of a through journey is subject to the usual conditions of land carriage.

When a merchant hires the whole cargo space of a vessel, the agreement between himself and the shipowner is known as a Charter Party. This document describes the vessel, the purpose for which she is let, and the terms of the letting, the first condition being that the ship is seaworthy and fit for the voyage. The terms of the contract may be such that the ship passes under the control of the charterer for the time being; but more usually it remains in the possession and under the control of the owners. A charterer is not bound to fill a ship with his own goods. He may sub-let a part of the space to another person, or may accept cargo from all and sundry who may present it, or the original owner may, of course, offer the ship for general freightage in the same way. In these latter cases, the Bill of Lading is brought into use, and sometimes the two forms (Charter Party and Bill of Lading) are used in combination. Either form of contract is liable to a stamp duty of sixpence, which, in the case of a Bill of Lading, must be embossed before execution. The chartering of vessels is usually done through a ship-broker, whose business it is to negotiate and effect such contracts, and the Charter Party often contains a note of the commission payable to the broker by the owners. The Charter Party, when signed, is generally retained by the broker, who issues certified copies as may be required.

The importance of a Bill of Lading is largely due to its three-fold

character, for it serves as a receipt for the goods, it fixes the terms of carriage, and it is a convenient and ready means of transferring the property in the goods while they are in transit.

When goods are sent for shipment, the document which takes the place of the railway consignment note is the Shipping Note addressed to the ship or dock company. This is accompanied by a form called the Mate's Receipt, which is signed by an officer of the ship and returned to the shipper. This is a necessary preliminary to the signing of the Bills of Lading by the captain or his agent—usually at the office of the latter. If the Mate's Receipt is signed without any remark thereon as to damage, it is understood that the packages are accepted as being in good external condition. Any note as to damage or imperfect condition is transferred to the Bill of Lading, unless the shipper, in order to obtain a "clean" bill, gives a letter of indemnity to the shipowner by which the latter is insured against claims for damage by the consignees. Forms of Bills of Lading, stamped or unstamped, can be obtained from a commercial stationer; but most steamship companies have their own forms which must be used for goods shipped by those lines. They are always drawn in sets of three or four, two of which are sent to the consignee by different routes, so as to provide as far as may be against the consequent trouble should one copy fail to reach its destination, for, unlike goods sent by rail, the goods will not be delivered except on production of evidence of ownership which the possession of the Bill of Lading supplies. Both of these copies must be stamped, and the discharge of one of them renders all other copies void. An unstamped copy is retained by the agent and handed by him to the captain with the ship's papers, and a fourth copy (which must be on stamped paper if it is to be available for use in any way except for reference) is usually retained by the shipper.

Freight is charged in various ways. It may be by weight, by measure, by the package, or by the lump, according to the character of the goods; and a "ton" may be a ton of 20 cwts. or of forty cubic feet. Cases of ordinary merchandise are generally charged by the last-named method.

An interesting judgment of Lord Ellenborough contained the following sentences: "The shipowners undertake that they will carry the goods to the place of destination unless prevented by the

dangers of the sea or other unavoidable casualties ; and the freighter undertakes that if the goods be delivered at the place of their destination he will pay the stipulated freight ; but it is only in the event of their delivery at the place of destination that he engages to pay anything. If the ship be disabled from completing her voyage, the shipowner may yet entitle himself to the whole freight by forwarding the goods by some other means to the place of destination ; but he has no right to any freight if they be not so forwarded, unless the forwarding of them be dispensed with, or there be some new bargain upon this subject. If the shipowner will not forward them, the freighter is entitled to them without paying anything. One party, therefore, if he forward them, or be prevented or discharged from so doing, is entitled to his whole freight ; and the other, if there be a refusal to forward them, is entitled to them without paying any freight at all."

Unless the shipper has received notification from the shipowner to the contrary, the shipper is entitled to assume that the master is authorized to receive payment of freight.

When the consignee is drawn upon for the price of the goods, the Bill of Lading is handed to the banker with the draft and is attached to the draft with the other documents which go to make up a "Documentary Bill" (of Exchange). The foreign banker receiving such a Bill usually lands and warehouses the goods pending the discharge of the Bill.

A Bill of Lading is passed from one holder to another in the same manner as a Bill of Exchange ; but whether it is "negotiable," in the same sense as a Bill of Exchange or a bank-note is negotiable, is a doubtful point. Some authorities hold that it is not, that the property therein is *assigned* by endorsement, but that the holder for the time being can have no better title, even though he may have given good consideration for it, than any previous holder may have had ; while others describe the document as a negotiable instrument, provided the goods named in it are deliverable to the "order or assigns" of the shipper or consignee. A safe view to take would be that, although the rights under the contract may be *transferred*, no right can be *created* by a wrongful holder.

On the presentation of the Bills of Lading, the goods named therein will be delivered by the master of the importing ship, without

risk to himself so long as he acts in good faith. Goods for which no Bill of Lading is presented may be landed and placed in the custody of some person at the discretion of the master. Goods arriving in England in so damaged a condition as to be worthless to the importer may be abandoned to the ship in lieu of freight.

The principal Customs requirements on importation have already been dealt with. The Merchant Shipping Act of 1894 empowers a shipowner to *enter* and *land* goods on arrival in the United Kingdom if the importer fails to do so within a specified time and may give notice to any person as wharfinger or warehouseman in whose custody they are placed that they are subject to a lien for freight or other charges, and the wharfinger or warehouseman is bound to retain them until the lien is discharged; or, if he fails to do so, make good to the shipowner any loss thereby occasioned to him. If the lien is not discharged, and no deposit is made as prescribed by the Act, the wharfinger or warehouseman may—and if required by the shipowner shall—at the expiration of ninety days (or, if the goods are perishable, at such earlier period as he thinks fit) sell the whole or part of the goods, the sale having first been advertised and notice sent to the owner if his address is known. The proceeds, if any, after payment of all charges, are to be paid to the owner.

The same Act provides that the owner of a British sea-going ship shall not be liable to make good any loss or damage happening without his actual fault or privity in the following cases, viz.: (1) where any goods or merchandise, or other things whatsoever, taken in or put on board his ship are lost or damaged by reason of fire on board the ship; or (2) where any gold, silver, diamonds, watches, jewels, or precious stones, the true nature and value of which have not at the time of shipment been declared by the owner or shipper thereof to the owner or master of the ship in the Bills of Lading, or otherwise in writing, are lost or damaged by reason of any robbery, embezzlement, making away with, or secreting thereof. The Act also defines the liability in other cases of loss or damage.

The law relating to shipment of dangerous goods is pretty much the same as in the case of similar goods sent by rail. The packages must be marked, and notice of their contents given to the master or owner at or before the time of shipment, and "for the purpose of this part of the Act, the expression 'dangerous goods' means

aquaforis, vitriol, naphtha, benzine, gunpowder, lucifer matches, nitro-glycerine, petroleum, any explosives within the meaning of the Explosives Act, 1875, and any other goods which are of a dangerous nature." Any such goods sent or carried on board ship in contravention of the law may be thrown overboard by the master who incurs no responsibility by so doing. Grain and timber are subject to special provisions as to loading and carriage.

During recent years a means of transport which is rapidly coming to the front is the commercial motor van. In many cases the costs of running are found to compare quite favourably with railway rates (including terminal charges), and where speed is an important factor the advantage is altogether with the motor van. Probably, however, its advantages are most apparent in connection with those business houses where definite deliveries at fairly frequent intervals are required between one branch and another, or between branches and headquarters. Transport by air is now rapidly coming to the front for both passengers and light goods when speed is of great importance.

CHAPTER X

Advertising—Various Systems discussed—Methods of Recording Advertising Orders and their Execution—Connection with Systems of Recording results of Advertisements.

As an irrepressible canvasser has it, "Sweet are the uses of advertisement"! Judicious advertising has played a great part in the success of many wealthy businesses, and the advertisement which is able to stamp itself on the mind of the public, as it were, is frequently almost a stroke of genius. What has stood the test of years like "Good morning. Have you used —— Soap?" How the picture of a certain face brought a smile to every reader of the quaint advertisement of his special food! And why is it that a soap which "won't wash clothes" has made a greater impression upon the memory than most soaps which will perform that harmless, necessary function? But, for one advertisement which has been, like these, worth large sums to its lucky owner, there are hundreds which appear comparatively worthless. Such an announcement as: "Jones's carpets cannot be beaten," by its very absurdity will ensure its repetition, and the advertiser will put up with the chuckle with which each observer will say, "Well, they cannot be much good then," because he knows that, in all probability, the strange advertisement will be mentioned at home and will unconsciously return to the mind when carpets are to be bought. But the advertiser must know his public. The drawing up of an advertisement is an art, and the class of firm and the article to be advertised have to be considered, as well as the desirability of hitting upon some striking idea to be set forth either in words or illustration. Novelty and persistence both have their uses, but the advertising medium is also important. Some advertisers pin their faith to the press; others to posters; others have great faith in the results from enamel plates in railway stations or on tramcar sides; whilst others again delight to add variety to the landscape beauties to be observed by railway passengers by dotting the fields and hedges with boards conveying the priceless intelligence, "497 miles from London. Pale pills for pious people"! Even schemes of colour have their

disciples, and it would be as easy to persuade an artist of the Glasgow School that he could get his results as clearly and certainly as intelligibly by ordinary methods as to persuade, say, a well-known firm of match manufacturers that blue and white would be as effective a medium as black and yellow. The reference to a school of painting (the word "school" being used, of course, in the same sense as it is used in the phrase "school of thought") is a reminder of the manner in which advertising has been transformed by Art, and even by something almost akin to Literature. The more wealthy advertisers bring to their aid every help which can be secured from writers and artists of ability and repute, and the characterization of our hoardings as "the poor man's art gallery" is oft-times richly deserved. Some posters are indeed pictures in the true sense of the word, and no expense is spared in the selection of colour and in the actual printing-off to reproduce with marvellous fidelity the original work of the artist. The well-known commercial acumen of such advertisers as utilize Art in this way, and the undoubted financial success which has attended their efforts, make it impossible to question whether such expenditure is remunerative; but here again knowledge and experience and observation all play an important part in the decision as to the form and medium for such advertisements. Speaking generally, the use of numerous colours is to be deprecated, not merely on account of the cost, but because of the undesirable "dazzle" effect which takes away from the clearness of the presentment.

An advertisement intended for public display must be bold and striking, and permit its message to be read in one glance of the eye. If sufficiently artistic, attractive, or even bizarre, to ensure a continued observance or a second look, so much the better for the advertiser, whose aim it is to secure such an advertisement. Having got it, by repetition, by sheer persistence, he seeks to fix it on the retina and in the memory of the man in the street. But a poster crowded with words is comparatively useless; for one *reader*, ninety-nine have passed it unread. Similarly, the startlingly grotesque is more successful than the hopelessly commonplace, and it is, in advertising as in most other directions, *originality* that pays.

To refer in detail to some of the media of advertising—the beginner in press advertising should study his matter first in

relation to his class of paper. The man who likes his news presented to him in the sober tone and careful diction of some of the older dailies, for instance, does not approve of what he would probably call a "jumpy" advertisement; whereas the reader of some of our morning pennyworths will appreciate most a crisp, striking "ad." And it is not the cheapest advertisement which is necessarily the most economical. A large circulation is worth paying for, but, at the same time, it must be remembered that, while some of the cheaper papers are bought to be glanced hurriedly over in the train on the way to the office and then thrown away, the larger, higher-priced paper is often carried home to be connoed over with the assistance of the after-dinner cigar. Just as the advertisement should vary according to the tone of the newspaper, so the article to be advertised must be considered in selecting its press medium. It would not be advisable to advertise a sporting novel or an hotel at Monte Carlo in a staid Church monthly, and the same condition applies in most other cases.

Advertisers should not be guided entirely in the selection of journals for their advertisements by the advice of an Advertising Agent. Not until it becomes the practice for the advertiser to remunerate the advertising agent he employs will it be reasonable to expect disinterested, expert services upon professional lines. At the present time there is probably more money wasted upon bad advertising than on any other form of business activity.

A form of advertisement which a few years ago had great vogue amongst advertisers of small specialities was the distribution of small free samples, and it may be imagined that this implied the advertiser's own faith in the article he was attempting to push. Where the article is a household requirement, and the samples are sent through the post in neighbourhoods where bulk supplies can be obtained at local shops, it is probable that a good return may result; but the outlay seems comparatively useless in the case of other articles, as few purchasers will take much trouble to obtain a further supply, and, in the event of the samples being hand-delivered, the percentage of success obtained will be remarkably small, as it is common knowledge that this work is undertaken chiefly by unreliable persons who do not scruple to get rid of their samples as rapidly as possible without regard to the usefulness of their delivery. Handbills are pushed into letter boxes by the half-dozen

instead of singly, and samples are often left in the same lavish quantities.

There are numerous forms of mechanical and electrical advertisements which are very effective. Amongst these may be mentioned the use of kites and balloons, smoke writing by aeroplanes, the presentation of paper fans at theatres and concerts, flashlight and dissolving electrical roof and window signs, etc. It must be remembered, however, that local by-laws sometimes restrict the use of sky signs.

Many methods have been tried by advertisers to test the comparative results obtained from different classes of advertisements or from different publications. With this object, of course, is added to so many advertisements "Please mention this paper"; but the number of purchasers who pay attention to this request is remarkably small. The same object is sought by other firms who add "Box No. So-and-so," after their names and before their address, the particular number being, of course, assigned on their books to a particular advertisement or advertising medium. Others vary their initials in different publications, their advertisement in the *Daily Boomcrang* being in the name of B. Flat & Co., in the *Weekly Holo-caust* W. Flat & Co., in the *Daily Backnumber* C. Flat & Co., and so on. Other advertisers having premises extending over several numbers will give as their address "No. 1 Town Hall Buildings" on all advertisements in railway stations, "No. 2 Town Hall Buildings" on all advertisements on trams and omnibuses, and so on.

From experience, and as a result of careful inquiry, it is not, however, believed that it is possible to obtain very accurate information as to the relative result obtained from individual advertisements of articles advertised on a national scale; but the value of different *local* publications can, of course, be easily ascertained, and with the best class of publication it is not difficult to obtain reliable information as to circulation.

A striking example of changed views on the subject of advertising may be seen in the attitude towards it of the great railway companies. Some years ago, these advertised almost entirely in their own stations by ordinary posters or handbills, whereas it is now quite common to see hoardings embellished with excellent coloured posters of holiday resorts, and to have the desirable facilities

afforded for holiday purposes by a certain line put forth in the most graphic and attractive manner in the pages of a daily paper. It has been stated officially that Blackpool spends thousands of pounds annually in posters alone to advertise its attractions as a holiday resort. The Isle of Man has had an advertising bureau for several years with most satisfactory financial results, and there are many other places which spend large sums in this way.

There can be no doubt that, in these days when competition is so keen, it is necessary to keep one's existence as a business firm in the public eye, and, although one of the very best advertisements is still a good reliable article at a reasonable price, yet there are so many people able and willing to supply this that there are few firms who can afford to dispense with advertising in some shape or other.

An endeavour is being made to establish a new business—that of advertisement writer—and many advertisements may be seen setting forth the golden opportunities awaiting the "properly trained" writer. If these advertisements are glanced at, they will not always be found themselves to be of an attractive or impressive character. The advertisement writer is born, not "made." There is no special training required. The very best advertisements have been inspirations, and very often a smart young clerk with imagination has the very happiest conception of a successful advertisement. A house which offers a fair bonus to any member of its staff for a good advertisement is not likely to lack new and telling ideas.

Where advertising is conducted on a large scale, an Inspector of Advertising is necessary, whose duty it is to make periodic visits to see that the enamel plates or advertising boards are duly exhibited, to check the publication of advertisements in the press, or to supervise the work of local bill-posters. Even in cases where the advertising is limited in scope and expenditure, it is well to make some member of the staff responsible for keeping an observant eye upon it, as even in the standard publications cases occur of standing advertisements getting "pied" and escaping re-setting.

The card system is easily applicable for the recording of advertising orders and their execution, as may be seen from form No. 13, page 119.

When an advertising order has been placed for insertion in a daily

paper, the head of this card is filled in with the full particulars, which are then available either for the Advertising Inspector or the clerk who checks insertions, etc. If the paper is published at a distance, perhaps specimen copies are sent, but in the case of big advertisers, and particularly advertisers in London, it is more customary for the firm's Advertising Inspector to make a periodical inspection of the file of the particular newspaper at its publishing office. Herein comes the special usefulness of the card system, as the above card can be easily slipped into the pocket, marked off as each copy is examined, and then returned to the Accountant for entry on the office copy, the back of which is ruled for recording the payments made in settlement of the account.

For very extensive advertisers who believe in ringing the changes on their advertisements in a given medium, it is necessary to have a record which will show which form of advertisement has appeared, and when, and for these purposes a suitable card may be employed.

The following card is a useful sample for the Accountant to keep a record of payments—

FEB

[illegible]

(Form No. 13)

Sufficient has been said about the card system to show its adaptability to any type of business, and any information regarding it may be obtained from such a firm as the Library Bureau, Limited, who will, where necessary, draft special sets of cards to meet individual requirements.

During quite recent years considerable impetus has been given to advertising as a factor in Business Organization by the evolution of the "advertising expert." In this direction, as in all others, the fact that there are experts available to be consulted undoubtedly makes for efficiency—particularly, of course, in the case of comparatively small undertakings employing only a limited staff. Possibly at the moment the danger to be guarded against is a tendency to exaggeration, which is perhaps inevitable in connection with the growth of a new cult. Advertising may be used—

- (1) As a means of conveying information in the right quarters, so that those desirous of purchasing goods, or of employing services, may exercise their discretion with a knowledge of all available facts ;
- (2) As a means of persuading persons that it is desirable that they should buy goods, or employ services, which in fact are of little or no real use to them.

Any form of advertisement on the first-named lines is proceeding along sound lines, and will tend to enhance the value of the goodwill of the business house employing such advertisements ; but advertisement proceeding upon the second-named lines, however excellent its results may appear to be at the time, can, in the nature of things, have no building-up qualities ; accordingly, in the long run, its tendency is to destroy Goodwill. Whence it would seem to follow that, in advertising as well as in other matters, honesty is not only the best policy, but the only practicable policy for those who look farther ahead of them than the immediate future.

CHAPTER XI

Systems of ascertaining amounts due for Wages and Salaries—Various modes of checking time and the like.

THE accurate recording of time worked by the employees of a firm is of importance not merely from its financial aspect, but also because doubts cast upon it are amongst the most fruitful sources of irritation, and oftentimes are the commencement of serious trouble with workmen. The larger the Works, the greater the preparations which must be made, and it behoves the up-to-date Manager to study carefully the various methods which have been adopted and to select that which seems most suitable to his own particular requirements.

To treat the office staff first—many Managers dislike the institution of an Attendance Book, and it must be confessed that it is disagreeable to have to impose such a check upon a staff, each member of which should be capable of being trusted in such a matter. Stern experience, however, calls for such a book in every well-organized office, and the book in itself has a helpful effect in encouraging punctuality, as well as in furnishing at times necessary information with reference to periods of absence through illness, holidays, etc. The specimen on p. 122 will be found to be a very general form adopted for such book.

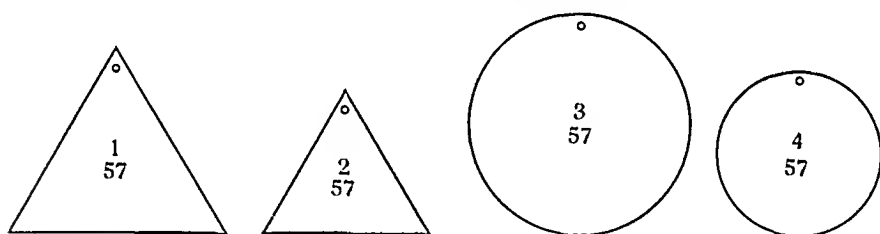
In many offices, it is the custom to allow a certain number of minutes' "grace," generally five or ten, after which a red line is ruled, and later entries require explanation. The Attendance Book should be inspected and initialed *every* morning by some appointed officer, generally the Chief Clerk or Principal Assistant, and in large offices a weekly summary is made out of the time lost by each clerk after the "grace" period. On these summaries, the name of a regular offender becomes prominent, and he attains the unwelcome privilege (under such circumstances) of an interview with the Manager. This will be found to have the necessary effect in all except unusual cases, in which it may become necessary to dismiss a gross offender as an example.

Some Managers, where the clerical staff is large, prefer that the recording of time should be automatic so as to obviate any chance of favouritism, on the one hand, on the part of the clerk entrusted

with the booking of the time each clerk puts in an appearance, or, on the other hand, of inaccurate times being put down where the system is that each clerk "signs on" and records his own time. There are several clocks of an inexpensive nature which can be utilized for these purposes, such as Howard's Autograph Time Recorder or the Signature Time Recorder, made by Recorder's, Ltd., enabling each clerk to write his name and printing the time the signature is affixed.

In the case of a large Works or Factory, any system either of *personally* signing attendance books or of autograph recording is, of course, quite impracticable, and the general practice is to record the time either by automatic time clocks or by the tally system.

This latter method is still used in many Factories and Works in this country, and is operated in several different ways. One of these consists in each workman having a distinctive number assigned to him on the books of the firm and being supplied with four brass tallies of different sizes, each bearing his number, thus—

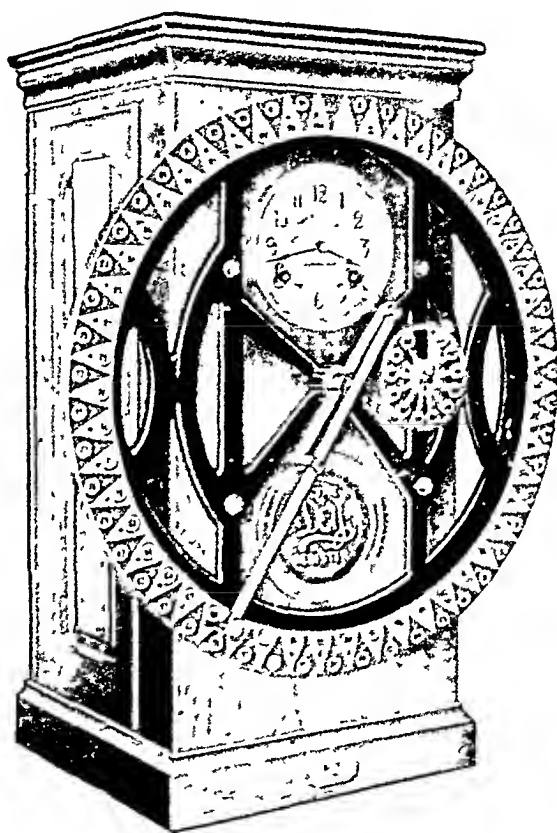


The first tally is dropped by the workman, whose distinctive number it bears, into a slit in a box which is placed near the gates when these are opened prior to the hour for commencing work, say 7 a.m. When all the workmen present by 7 a.m. have deposited their tallies, a spring controlling a shutter over the slit is released, the slit is closed and only the key held by the Wages Clerk can re-open it. The box is then sent to the Wages Department.

The second tally is used by those workmen who are too late for the first box and who are allowed to enter the Works at a subsequent time, which varies in different shops, some admitting them half an hour later, others making them "lose a quarter" (of a day). The slit in this second box is just sufficiently large to admit the second tally, and this slit is again closed at the expiry of the allotted time exactly as in the case of the first box.

In some Works, in which late comers may be the cause of expensive

machinery standing idle, there is a system by which a dilatory workman, who is perhaps only a few minutes late, may purchase a ticket from the gatekeeper, which ticket is dropped with his second tally into the second box. This tells the Wages Clerk that, although the man has been too late to deposit his tally in the first box, he may be booked from the first hour as he has paid to be admitted.



The third and fourth tallies are used similarly for the second part of the day. The morning boxes are dealt with by the Wages Clerk prior to the men going off duty, so that they are able to collect their tallies from a numbered board on their way out.

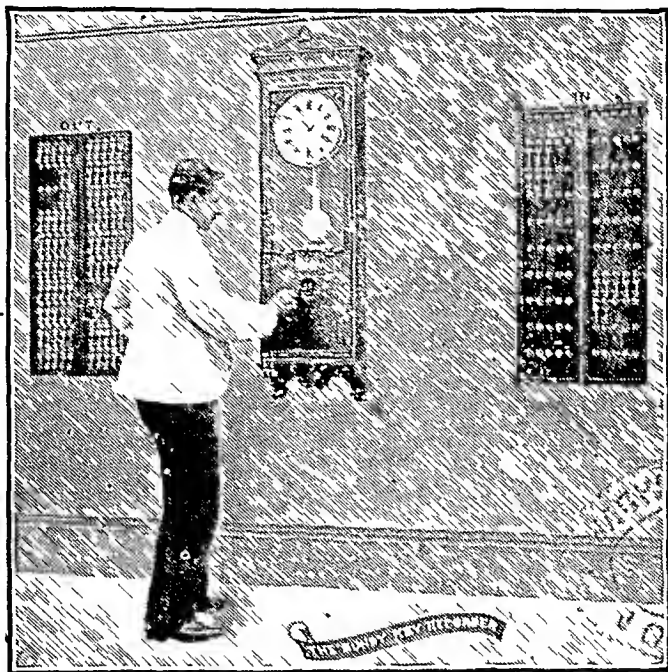
In almost all the American factories, and in a rapidly increasing number in this country, clock registration has been adopted for time-keeping, and there are several well known makes of recorder on the market. The "Dey" Time Register, in addition to recording the times of the arrival and departure of each employee, produces

keats per day can be provided.

FRIDAY																									
	Mins	Dinner	Even	Mins	Overtime	Pay	Rate	E	S	D	Less	Meth	Wages	S	D										
	IN	OUT	IN	IN		on					Ins	S	S												
1	758	1232	127	534	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	1										
2	758	1233	127	535	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	2										
3	758	1231	129	537	758	47	1/6	3	10	6	4	3	10	2	3										
4	757	1233	128	535	757	47	1/8	3	18	4	6 1/2	3	17	9 1/2	4										
5	758	1234	130	535	800	47	1/6	3	10	6	4	3	10	2	5										
6	757	1232	129	536	800	47	2/1	4	14	4	6 1/2	4	13	5 1/2	6										
7	755	1231	127	536	758	47	2/1	4	14	4	6 1/2	4	13	5 1/2	7										
8	758	1232	130	536	801	47	1/8	3	18	4	6 1/2	3	17	9 1/2	8										
9	758	1233	130	537	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	9										
10	759	1231	129	537	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	10										
11	759	1231	130	538	800	47	1/8	3	18	4	6 1/2	3	17	9 1/2	11										
12	800	1233	127	535	800	47	1/8	3	18	4	6 1/2	3	17	9 1/2	12										
13	800	1234	130	537	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	13										
14	800	1232	129	537	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	14										
15	757	1232	130	534	757	47	1/8	3	18	4	6 1/2	3	17	9 1/2	15										
16	758	1235	130	535	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	16										
17	800	1233	131	535	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	17										
18	800	1235	128	532	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	18										
19	800	1236	130	537	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	19										
20	758	1235	130	537	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	20										
21	757	1234	128	533	800	47	1/8	3	18	4	6 1/2	3	17	9 1/2	21										
22	759	1232	130	532	800	47	1/8	3	18	4	6 1/2	3	17	9 1/2	22										
23	758	1232	130	534	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	23										
24	756	1235	128	538	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	24										
25	757	1233	127	536	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	25										
26	758	1232	129	538	801	47	1/8	3	18	4	6 1/2	3	17	9 1/2	26										
27	757	1233	130	538	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	27										
28	756	1230	130	538	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	28										
29	756	1234	129	536	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	29										
30	759	1232	130	534	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	30										
31	800	1233	128	536	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	31										
32	757	1232	126	530	757	47	1/8	3	18	4	6 1/2	3	17	9 1/2	32										
33	759	1234	128	536	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	33										
34	757	1234	126	534	800	47	1/8	3	18	4	6 1/2	3	17	9 1/2	34										
35	756	1233	125	537	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	35										
36	758	1235	127	533	800	47	1/8	3	18	4	6 1/2	3	17	9 1/2	36										
37	759	1233	128	532	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	37										
38	757	1233	130	535	800	47	1/8	3	18	4	6 1/2	3	17	9 1/2	38										
39	758	1235	128	533	800	47	1/8	3	18	4	6 1/2	3	17	9 1/2	39										
40	757	1235	126	536	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	40										
41	755	1234	124	537	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	41										
42	757	1235	122	534	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	42										
43	758	1233	126	532	800	47	1/8	3	18	4	6 1/2	3	17	9 1/2	43										
44	758	1232	129	535	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	44										
45	757	1234	130	537	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	45										
46	758	1236	127	534	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	46										
47	759	1237	130	537	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	47										
48	800	1235	128	538	758	47	1/8	3	18	4	6 1/2	3	17	9 1/2	48										
49	758	1234	129	535	756	47	1/8	3	18	4	6 1/2	3	17	9 1/2	49										
50	757	1232	130	537	759	47	1/8	3	18	4	6 1/2	3	17	9 1/2	50										
Copyright-International Time Re- corders, Ltd. 37 C92													TOTAL												
													202 11 6												

The time records printed in blue.

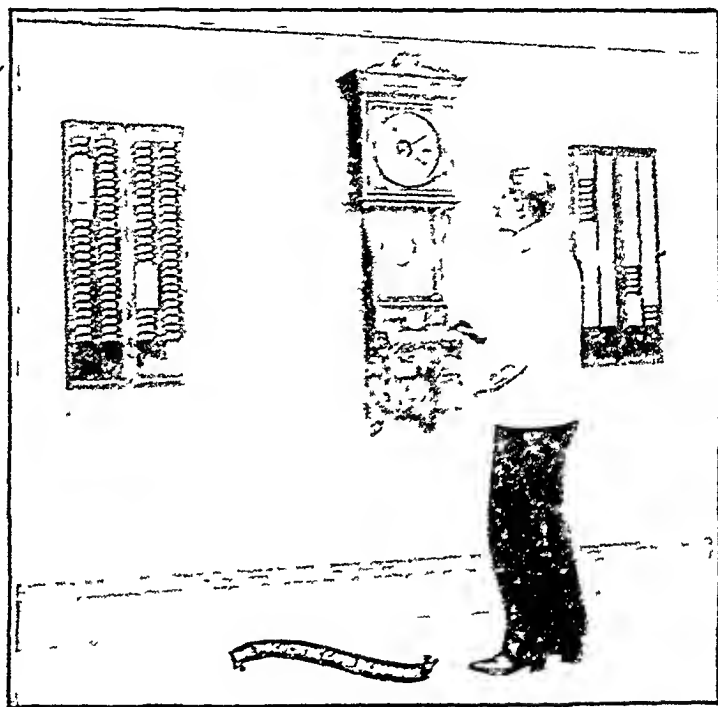
at the end of the week a wages sheet, which the Wages Clerk can gum into his Wages Book, totalling on it the hours indicated and then pricing the total hours out at the wages rate. The general appearance and *modus operandi* of the "Dey" may be seen from the illustration on page 124, and Form No. 15 (showing a "Dey" wages sheet) is annexed. Another most useful Time Recorder is the Gledhill-Brook, which is especially useful in the compilation of highly detailed labour costs.



Although cards may be used with it for cost keeping, referred to elsewhere, so far as time recording is concerned, it is complete in itself. When the pointer is pushed into the hole opposite the employee's number on the big dial surrounding the clock, it prints the exact hour and minute opposite his proper consecutive number on the time-sheet, no matter in what order the employees register, a bell ringing to indicate that the operation has been completed and that the register is ready for the next man. The use of keys or tallies for each employee is, therefore, unnecessary.

A time recorder operated by a key is the "Bundy," which differs from the "Dey" by registering the employees' arrival in

chronological order. This is useful where it is principally desired to keep the late comers' names all together and know the lost time of each, all the others being booked full time. the absentees being noted by their keys remaining on the "out" keyboard. This machine does not need frequently re-filling as the records are made on a continuous roll of paper tape, and the capacity of the Recorder is unlimited, an increase of staff involving only additional recording



keys. On the other hand, these records cannot be used as a wages sheet but must be transferred by clerical labour.

The "Rochester" is a card recorder which registers the time for one person on one card for one week. The cards can be ruled and printed to suit any type of business and so as to give ordinary time, overtime, etc. No disputes can arise with workmen, each being his own time-keeper and seeing the printed record of his time on his own card. The cards are kept on an "in" and "out" board which can be kept locked when not in use.

The Stockall Time Recorder and the Rochester Card Recorder are registers of similar type; but the clock records in front of the

Name..... No.....

	Hours	Rate	£	s.	d.
Wages for week of					
O.T.					
Extras					
Lost					
Signature of person authorising payment }	£				

DAY		IN	OUT	IN	OUT	Lost T.	O.T.	Total
S	AM							
	PM							
S	AM							
	PM							
M	AM							
	PM							
T	AM							
	PM							
W	AM							
	PM							
T	AM							
	PM							
F	AM							
	PM				*			
Totals								

* Week commences here.

Net O.T. or Lost T.

registration, besides the time, a figure corresponding to the day of the pay week, thus preventing a workman tampering with his card by manipulating it to record a time opposite a prior day.

A very important adaptation of the Automatic Time Recording Clock System is in connection with costing; but, as this is in itself a very wide subject, it is deemed advisable not to refer to it at length here, but to reserve it for its special Chapter.

In many large Works, one or other of the various systems of piece-work payment is in operation, but the Trade Unions in certain districts object to the method, and full inquiries as to local conditions should be made before commencing it, if it is desired to employ Union men.

The principal aim of the piece-work system, or any system of bonus payment, is to encourage workmen to use their brains and their skill to the utmost, and its advocates believe that this is a result which is attained, when the value of such work is to the direct benefit of the workmen themselves as well as to the firm for which they work. There are several different methods, one of the principal being that in which the Works Manager, who from his experience is able to calculate very closely what should be the cost of labour in connection with a certain operation or piece of manufacture, prepares an estimate of what it should cost. He then adds to this cost an amount sufficient to allow the workmen engaged upon it to realize a minimum profit of a quarter over and above their day-work time.

The work to be done and the price to be paid for it are then written on a contract form, on which the workmen agree not only to do the work to the satisfaction of the Works Manager, but also to stand by the price named in the contract. The inset between pages 128 and 129 is a customary form of contract.

The contract having been submitted to the men and the price agreed, it is signed by them and afterwards by the management. Whilst the work concerned is in progress, each of the men has a card similar to that on page 129.

On this card is filled the number of the contract on which time has been worked, and the number of hours so worked, the foreman of the particular shop or department checking the entry each day and initialing it. At the end of the week the cards are sent to

Name J. Jones No. 15 Date Jan'y 18/28

CONTRACT No.	Thursday N.	Friday	Saturday	Monday	Tuesday	Wednesday	Thursday	TOTAL
640	2	$7\frac{3}{4}$	4		3	2	7	25
625		$2\frac{1}{2}$	2				$2\frac{3}{4}$	$7\frac{1}{4}$
651				5		2		7
689				$4\frac{3}{4}$	$4\frac{1}{2}$	$5\frac{1}{2}$		14
	YK.	YK.	YK.	YK.	YK.	YK.	YK.	
TOTALS	2	$10\frac{1}{4}$	6	$9\frac{3}{4}$	$7\frac{1}{2}$	$9\frac{1}{2}$	$9\frac{3}{4}$	54

J. Keenan.
Foreman

(Form No. 18)

the office, where the hours are booked against the respective contracts and the workmen are, until a contract is finished, paid what is called "On $\frac{1}{2}$ Piece Work," that is to say, the time actually worked, at whatever the ordinary day-work rate is for the particular class of work being performed. On the completion of a contract, the money drawn as "On $\frac{1}{2}$ Piece Work" by the men engaged on it is added up, the total deducted from the agreed contract price, and the balance divided between the workmen.

Under this system, the workmen know that, if the job is not satisfactorily executed, the firm has the right to call upon them to do it over again, which will be, of course, at their own cost, and on the other hand they have every incentive to do the work in the most expeditious and satisfactory manner, as work done in this way will increase the amount of wages they have to draw.

CHAPTER XII

Stores—Records of Stores inwards and outwards—Systems of control and connection thereof with Financial Accounts—Distinction between Stores and Stock.

THE Stores Department of every undertaking, no matter what its size, is one which should be run on very exact and definite lines, as any possibility of leakage should be prevented so far as rules and forms are capable of preventing it.

In the Chart in Chapter IV (page 32), showing the division of responsibility amongst the various sub-departments, it will be noted that the Storekeeper is answerable direct to the Manager, whereas the Orders Clerk is on the staff of the Accountant. The two officials should be brought into contact with each other as little as possible. The former should have nothing to do with the placing of orders for materials, and the latter should have nothing to do with the certifying of the arrival or of the quality of the materials he orders.

It is impossible to lay down any definite lines for the arrangement of Stores, as this necessarily varies with every type of business. A general rule, however, may be laid down that Stores should not be stinted in space. Each separate type of article should have a definite place assigned to it, instead of bundles of B goods being thrown on top of barrels of A goods, both being shut off from view by sacks of C goods. If orderliness is desirable in an office, it is still more desirable in a Stores, and the best Storekeeper will be found to be the most orderly. Apart from the waste of time involved, unless a place is provided for it, in rummaging round for an article which is not frequently required, it is more liable to become damaged, and more liable to be allowed to run out of stock.

A useful plan to adopt is to have a Stores Reference Number assigned to each article, a supply of which should be in hand, and for this number to be prominently displayed on the shelves, or other part of the Stores Department, kept for it. When the reserve of that article requires replenishing, the Storekeeper makes an entry in his Stores Order Book, giving the quantity of the article required with its Reference Number.

The following is the general form in use for this purpose—

STORES ORDER BOOK

Date.	Article required.	Stores Reference No.	Quantity.	Works War-rant No. (if any).	Authorized. Name.	Contractor's Name.	Office Order No.	Remarks.	Storekeeper's Date of Receipt of Goods.
19 . . . Nov. 1	Engine Oil, best quality	75	2 Brls.	Stores.	(Initials of Manager or his Assis-tant.)		(This No. should be inserted by Orders Clerk)		
	00 Copper Wire	52	200 ft.	3182				To be passed by Works Manager.	

(Form No 19)

This Stores Order Book is to be sent in daily to the Manager, who will either personally or by deputy authorize the ordering of the goods, and the book will then be passed on to the Accountant's Department, where the Orders Clerk will make out the order, subsequently returning the book to the Storekeeper.

In some Factories, the Storekeeper inserts on his order the name of the supplier from whom the goods are to be obtained, but this is wrong in principle, as the source of supply should be beyond his control, if not unknown to him.

It will be necessary for the Manager to issue either general or specific instructions with regard to the sources from which the different supplies are to be obtained. Where there is a regular consumption of particular goods, many firms make a practice of making annual contracts, for which tenders are invited either by advertisement or by inquiry. It is usual for such inquiries to give rough particulars as to the probable requirements during the period for which tenders are invited, and, wherever possible, standard samples of the exact description and quality of the goods required should be prepared for inspection. The form of tender should be very explicit in insisting upon all goods supplied being up to the standard sample, and it is quite possible for power to be retained to order elsewhere, and to charge the contractor for any excess payments involved, in connection with any endeavour to substitute goods of inferior quality. It is imperative that all contract goods should be examined immediately on delivery and compared with the standard sample.

When ordering goods not obtained under contract, the source of supply should be settled either by obtaining special quotations from selected firms or in accordance with general instructions issued by the Manager.

All orders should be issued from an official numbered Order Book, with counterfoils, and no goods—except small sundries which may be bought locally in emergencies, through petty cash—should be obtained without the issue of such official order.

A form of order including invoice is annexed.

No delivery of goods should be accepted by the Storekeeper unless accompanied by a delivery note, stating the firm dispatching same, the nature of the article, the quantity sent and the order number. The Storekeeper then carefully checks the quantity and examines

INVOICE.

_____ 10

No. 2000

HAM MANUFACTURING CO.

ANTONETH WORKS, BOW, E. II

_____ of _____

LFS SUPPLIED OR WORK DONE.		p	s.	d.
TOTAL £				

(SA-constant.

Manager.

the quality of the goods delivered, provided he is able to judge of the latter. In cases where he is not able to do this, and in such cases as have been marked on his Stores Order as requiring the inspection of the Works Manager or other official, he arranges for an inspection and then fills up an entry in his Stores Received Book.

STORES RECEIVED BOOK

Date.....

Received from..... Address.....
per.....

Cases Barrels Boxes Sacks.....

Stores Order No.	Office Order No.	Quantity.	Goods.	Weight.			Checked by.	Inspected by.	Rejected and Cause.	Stores Ledger Folio.

(Form No. 21)

This book has duplicate pages, the one written on being flimsy paper perforated at the binding edge, and the second a carbon copy of the first on ordinary paper. The flimsy copy is torn off and sent attached to the contractor's delivery note (together with a note as to rejected goods, as per final column) to the Orders Clerk. All rejected goods should be entered in a Stores Rejected Book so as to ensure the receipt of a proper credit note from the contractor.

STORES REJECTED BOOK.

Stores Order No.	Contractor.	Goods.	Weight.			Cause of Rejection.	Returned per.	Credit Note received.

(Form No. 22)

The Orders Clerk files the Delivery Note and Stores Received voucher pending receipt of the invoice, which he is thus able to certify subsequently without sending on to the Storekeeper; the latter has thus no necessity to know the prices being paid for the various grades of goods. In many businesses of a large size, it is deemed advisable to keep in the general office a book called the "Purchases Book" in which all such stores delivered are entered, the Orders Clerk marking off each item with the date on which he has certified the corresponding invoice for payment. This book not merely minimizes the risk of goods being twice paid for, but is useful for reference at balancing times to see what invoices, if any, are outstanding for goods which have been delivered into Stores, and the value of which has been included in the stock-taking figures.

This book should not be one requiring much clerical work, as it is, of course, in one sense, duplicate work. The following will be found sufficient for most purposes—

PURCHASES BOOK

Order No.	Date.	Firm.	Goods.	Weight or Quantity.	Date delivered.	Stores Voucher No.	Invoice entered	In bill.

(Form No. 23)

Another plan which is preferred by some Managers is for the invoice to be sent direct to the office, there compared with the counterfoil order and checked as to price, then certified as to receipt by the Storekeeper (and, where necessary, as to quality by the Works Manager or other official), and finally paid by the Cashier—less the proper discount—on the final certificate of the Accountant. This method keeps the Storekeeper in touch with the prices of goods and, unless an Invoice Receipt Register is kept and invoices are carefully looked after, there is the risk of their delay or loss, and of subsequent forfeiture of the discount.

To return to the Storekeeper's work in connection with stores

[illegible]

(Form No. 28)

work out the "Amount" column, then sending the note on to the Warehouseman, who will now have the complete information for entry in his Stock Ledger. This Ledger and the Stock Warrant on which he will issue finished goods from Stock to the Packing Department will be similar to the Stores Ledger and the Stores Warrant of the Storekeeper, except that the Stock Warrant must contain proper particulars filled in by the Sales Department as to consignee, method of dispatch, etc., and the Warehouseman must send to the Accountant's Department a Stock Issue Note to enable an account to be rendered against the customer.

It is necessary now to consider the procedure in connection with the Sales Orders, received either direct or through the firm's travellers or agents. After the Sales Orders have been approved as to price, solvency of the customer, etc., by the Manager, they are entered in a Sales Order Received Book as shown on page 138.

If in Stock, a Stock Warrant is sent to the Warehouseman in the following form—

STOCK WARRANT

Please forward Stock as follows to

Per

Article.	No.	Weight.			Customer's Order No.	Sales Order No.	Stock Ledger Folio.

(Signed)

Date

(Form No. 29)

CHAPTER XIII

Cost Accounts—Their nature and importance—General neglect of the subject
—Fallacious and imperfect results generally

THERE is no part of office organization which is so significant of the vast change from the methods of the past to the methods of to-day as the system known as Cost Accounts. Even a few years since, such a term had little or no meaning in the mind of the average Manufacturer or Manager, and businesses may still be found in all parts of the country where the words will be known, but will convey only a very hazy notion of what is meant by such a system when manipulated by a smart Manager or Accountant.

The term "Cost Accounts" is applied to a system which enables a Manager to tell almost precisely what it has cost him to carry out every contract he has undertaken: what it has cost him to produce and sell every article or piece of machinery which his Factory or Works has turned out. It will be seen from the wording of the last sentence that this system does not stop at providing information as to the direct expenditure in production in the Works, which is an expenditure known as "Prime Cost," and which is, of course, highly necessary and useful information. "Prime Cost" alone gives comparatively useless information—information which, like "a little knowledge, is a dangerous thing." The old school of contractors and manufacturers had a sort of rule-of-thumb method of arriving at Prime Cost which was mainly composed of a little experience mixed with a considerable amount of guesswork, and requiring, to be palatable, to be spiced with more than a *souffron* of good luck, the whole to be taken in the absence of brisk competition.

The importance of an efficient system of Cost Accounts cannot be magnified in the eyes of an experienced Manager conducting a manufacturing business. His commercial books may be kept on the most modern and accurate principles but—unless he is able to know the exact Prime Cost of each of his manufacturing operations, and the "Oncost" which each of those operations should bear in order to cover his miscellaneous expenses in the shape of upkeep

of machinery and buildings, rent, rates and taxes, office and management, selling and forwarding costs—the foundations of his business are built on shifting sand. He cannot possibly fix his quotations and tenders upon knowledge of what is the lowest figure which will recoup his actual outlay under all headings, and all his estimates are, therefore, more or less leaps in the dark. Similarly, from the point of view of internal efficiency and economy, unless he can ascertain the precise cost of each component article he is manufacturing, he does not know whether it would not pay him better to buy some of them in the open market, and he is not aware to which particular shop or department of his Works special attention must be paid in order to reduce an unduly heavy cost which may be caused by improper appliances, waste of stores, inefficient labour, careless supervision, lack of knowledge of the best material, uneconomical purchase of parts and general ineptitude of management.

It is easy to see from the above that a Cost Account System is of vital importance ; but the Manager must, on the other hand, guard himself against any system which is not thoroughly reliable, inclusive, and accurate, or which, by its very intricacy, involves so much clerical work that its own cost adds appreciably to the expenditure, and is not clear enough to permit of its methods and information being readily apprehended by his Principal. It is quite possible for a badly thought-out or imperfectly executed scheme of Costing to produce such fallacious results as to cause the most serious complications. Every care should, therefore, be exercised to adopt a Cost System which is applicable to the precise requirements of the individual business, simple and economical in its operation, trustworthy and clear in its results.

It will readily be understood that each particular type of business will have important modifications to make in any general Cost Account System, and it will probably be sufficient to give in this Chapter a short description of a simple method which can be adapted to individual requirements.

So far as Prime Cost is concerned, it will be necessary to be able to allocate to each " Job " (or " Sub-Job ") the labour, materials, and direct expenses chargeable in connection with it. There can be little doubt that the card (or slip) system used with an automatic time recorder is incomparably the best for a Costing System, and the system now being described is upon this basis.

Works without being accounted for on any white Job Card has to be charged against "Oncost Lost Time Account," and the attention of the Works Manager should be called to any glaring cases, this being a fruitful source of unnecessary expenditure, and being—when it occurs in a flourishing and busy concern—a direct reflection upon the foreman, who should so arrange the work that he has a new Job Card ready for each man as he completes the one upon which he is working. Where it is desired to have an additional check upon the accuracy of the weekly wages account, its total can be compared with the total shown by the Job Cards *plus* "Lost Time Account" and indirect labour. If the whole time of a foreman is spent in supervising the work under one Job Number, he should register a white Job Card for himself, which will be treated by the Costing Clerk in the same manner as the men's cards.

The Costs Clerk then proceeds to price out the blue Materials Issue Cards he has received from the Storekeeper and places them also in his Costs rack under the proper Works Production Number.

The Costing Clerk has now got his labour and materials in connection with each Works Production Order and, on the completion of each, he adds to it its own direct chargeable expenses. These may be travelling expenses, use of machine tools as shown on the Job Cards, royalties payable on some portion of the work, or other expenses he may be advised of from the office. The total thus obtained is the Prime Cost of the Works Production Order.

Now comes the more difficult question of Oncost. This includes all indirect charges and expenses both in the office (implying administration, advertising, and selling under the general term "office") and the Works, and these are more satisfactorily dealt with separately.

In connection with both, if the business is quite new, these items will perforce have to be estimated. At the conclusion of some definite period, a total must be made of the Works General Expenses, which will include such items as salary of the Works Manager and wages of his foremen, wages for indirect labour in connection with the repair and upkeep of machinery, wages of timekeepers, engineers, stokers, crane drivers, rent, rates and taxes of Works, etc. "Works Oncost" is obtained by taking the percentage this total bears to the total of Direct Wages and Materials, or to the total amount of Direct Wages, or by dividing it by the number of hours included

BONUS JOB CARD.

Tally No.....:

Hrs. Rate £ s. d.

Time allowed ...					
Time taken					
Time saved					
Premium.....					
Time delayed ...					
Machine Hours					
TOTAL COST					

DAY	Begun	Stopp'd	Restart	Finish	Total
T	AM				
	PM				
F	AM				
	PM				
S	AM				
	PM				
SUN	AM				
	PM				
M	AM				
	PM				
T	AM				
	PM				
W	AM				
	PM				

Works Order No.

TOTAL

Hrs.

Date

THIS SIDE OUT.

No.

Name

Machine Tool No.

Addjusting
A~~l~~tering
A~~n~~nealing
A~~s~~sembling
A~~s~~sisting

Baking
B~~a~~lancing
B~~a~~nding
B~~e~~nding
B~~o~~lting
B~~o~~ring
B~~u~~ilding
B~~u~~rnishing
B~~u~~shing

Checking
C~~e~~aning
C~~l~~osing
C~~o~~nnecting
C~~o~~unting
C~~u~~tting

Disconnecting
D~~i~~sman~~t~~ling
D~~r~~awing
D~~r~~essing
D~~r~~ifting
D~~r~~illing

Electro-plating
E~~n~~ding
E~~r~~ecting
E~~x~~amining

Facing
F~~i~~ling
F~~i~~lling-in
F~~i~~nishing

Fitting
F~~i~~xing
F~~l~~anging
F~~o~~rging
F~~o~~rming

Gearing
G~~r~~easing
G~~r~~inding
G~~u~~ttering

Heating

Insulating

Jointing

Keysing
K~~e~~yseating

Lacquering
L~~e~~velling
L~~i~~ghting
L~~o~~ading

Machining
M~~a~~king
M~~a~~rking-off
M~~i~~lling

Notching
N~~u~~mbering

Oiling
O~~p~~ening

Packing
P~~a~~inting
P~~a~~pering

Placing
P~~l~~aning
P~~o~~lishing
P~~r~~eparing
P~~u~~nching

Repairing
R~~e~~fitting
R~~e~~winding
R~~i~~vetting
R~~u~~bbing down
R~~u~~nning

Screwing
S~~e~~tting
S~~h~~aping
S~~l~~otting
S~~p~~acing
S~~p~~litting
S~~t~~amping
S~~t~~raightening
S~~t~~udding
S~~w~~eating

Taping
T~~a~~pping
T~~e~~mpering
T~~e~~sting
T~~i~~nnig
T~~u~~rning

Unloading
U~~n~~packing

Varnishing

Wedging
W~~e~~lding
W~~i~~nding

PARTS

JOB CARD.

No..... Job Order No.....

Time allowed.....	Wages			
	@.....			
Time taken.....				
Premium 50%.....	Bonus.....			
Total Time	Total Wages			

DAY		IN	OUT	IN	OUT	Total
T	AM					
	PM					
F	AM					
	PM					
S	AM					
	PM					
S _U N	AM					
	PM					
M	AM					
	PM					
T	AM					
	PM					
W	AM					
	PM					

Name.....

Week ending

Foreman's Initials.....

No.

Commenced.....

Finished

Cost

THIS SIDE OUT.

OPERATION	No.	PARTS
ASSEMBLING		
BORING		
BRAZING		
BUFFING		
CENTERING		
CUTTING		
DRILLING		
ERECTING		
FACING		
FILING		
FORGING		
GRINDING		
INSERTING		
LOADING		
MARKING OFF		
MILLING		
PAINTING		
PATTERN MAKING		
PLANING		
PLATING		
POLISHING		
PUNCHING		
REAMING		
REPAIRING		
RIVETTING		
SCRAPING		
SCREWING		
SHAPING		
SLOTING		
TAPPING		
TESTING		
TURNING		
UNLOADING		

in Direct Wages. Each of these three methods has supporters, those who select Direct Wages in preference to Direct Wages and Materials holding that the differences in the prices of materials should have no bearing on the apportionment of Works Oncoast, which should be levied on the wages alone as being much more relatively important and less subject to fluctuations. Those who prefer the number of hours represented by Direct Wages as the basis do so because the cheaper unskilled labour represents the larger share of the wages and requires a greater expenditure of supervision and other unproductive labour. In the majority of businesses, the percentage basis which will be found most useful will be that represented by the Works General Expenses to the Direct Wages. No uniform system can, however, work equitably under all circumstances, but, clearly, the more Works Oncoast can be departmentalized the more useful the results will be.

The Office General Expenses of all descriptions are then taken out for the same period and "Office Oncoast" obtained, either by taking the percentage of that total upon the Total Works Cost, as found by adding Prime Cost and Works Oncoast, or its percentage upon Prime Cost.

Costing Systems can be carried out so as to show the minutest details of all operations, but the foregoing will probably be sufficiently explanatory for a book of this description, and the Manager must not forget the warning in the earlier part of the Chapter against embarking upon a system so elaborate as to militate considerably against one of the chief aims, the accurate analysis of the cost of each Job, not merely for future estimating purposes, but also for the purpose of enabling the Manager to see exactly what portion of the work has been unduly costly, or to what "shop" or Department attention must be paid with a view to reducing unnecessary expenditure. Finally, and by way of a last word of caution, it may be added that no system which cannot produce *prompt* results can be regarded as satisfactory. What is wanted here is *news*—not ancient history.

CHAPTER XIV

Departmental and Branch Accounts—Foreign Branches—Foreign Currencies
—Departmental and Branch Returns—Tabulation of Results—Employment of Curves and Diagrams

In a business of any magnitude it is nowadays considered essential to know not only what profit has been made, but the method of obtaining it and the exact sources from which it has come. An up-to-date Manager must have his profit divided as far as possible into Departments, and know which Departments are making good profits and which the reverse. There are two methods of obtaining this information, viz. (1) by means of Cost Accounts described in Chapter XIII, and (2) by what is known as Departmental accounts, which will be described in this Chapter. Both, of course, can be combined. In businesses where the latter method is adopted, the sales will in the first instance be ascertained for each Department, either by means of analysis columns added to the Sales Journal which will, therefore, appear in the following form—

SALES JOURNAL

Date.	Description.	Folio.	Details.	Total.	Dept. A.	Dept. B.	Dept. C.	Dept. D.

(Form No. 32)

or by means of a special book into which an ordinary Sales Journal is dissected.

The Purchases Book also will have additional columns to allow for further dissection of the purchases into various Departments as well as for nominal accounts only—thus, in addition to the ordinary columns for indirect expenses, the raw material and similar purchases may be provided with special columns to show, say—

Dept. A.—“Raw Material,” “Carriage,” “Direct Expenses,”
“Advertising.”

Dept. B.—“Raw Material,” “Carriage,” “Direct Expenses.”

Dept. C.—“Raw Material,” “Carriage,” “Direct Expenses,”
“Advertising.”

Dept. D (a trading Department only).—“Goods,” “Direct Expenses.”

By this means, all direct expenses passing through the Invoice Book can be ascertained. Other direct expenses are Wages (which are ascertained by separate wages books for each Department or by columns for analysis) and items coming direct from the Cash Book, such as travelling expenses which, where belonging to a special Department, are posted direct to the Departmental Account and, in other cases (e.g. a traveller representing all Departments), will be posted to a Travelling Expenses Account and treated as an indirect expense. Where Raw Materials of the same kind are used in more than one Department, they are posted to a General Account, and the exact amount used by each Department is ascertained from the Stores Issued Book and the amounts are then transferred from the General Account to the Raw Materials Account of the Departments concerned.

An additional book will have to be kept where goods are frequently transferred from one Department to another, to set out such transfers, and the totals of the goods in question will each month-end be debited and credited to the various Departments. The following ruling will meet the requirements of the case—

Goods transferred from Department “A,” January, 19...

Date.	Dept.	Particulars of Goods.	Price.	Details.	Total.	B. Dept.	C. Dept.	D. Dept.

Where the transfers are comparatively few in number, they may be dealt with as "Purchases Returns" by the transferring department and as "Purchases" by the receiving department. Cross entries in this case thus take the place of a separate book.

From the particulars given above, the gross profit on each Department may be ascertained, and many business men remain satisfied with this knowledge. Others, however, prefer to analyse the indirect expenses also, and (to do this) split all expenses of this nature over the various Departments in an agreed ratio.

The principal headings of indirect charges are *Rent, Rates, and Taxes*, which are charged over the various Departments (roughly) in proportion to the cubic space or the square area occupied by each Department; *Motive Power*, which is usually based on the requirements of each section; *Office and Travelling Salaries and Expenses*, which are charged proportionately to the turnover of each Department; *Motor Expenses*, which are charged proportionately to the use made of *motors* by each Department; *Management Expenses*, charged proportionately to the turnover; *Interest*, charged at 5%, on the capital invested in each, etc.

The above is a common method of calculating the indirect expenses, though they may be arbitrarily varied to suit particular cases; for instance, one Department may do its turnover in comparatively small amounts, and the clerical work involved may take up at least one half of the time of the office staff, although in receipts the turnover may amount to only one-sixth of the whole.

The capital employed by each department may be ascertained as follows: Add together the average Stock held, the average amount of book debts outstanding, and the plant and machinery required: deduct the amount of liabilities.

The Depreciation on the machinery used by each Department should be written off the Departmental Return direct.

Discounts, where a uniform rate exists, may be charged proportionately to the turnover. Where a different rate exists for each, the following plan may be used—

From the Sales Journal (details column) deduct the discount allowed so that only the net amount appears in the ledgers both in the personal accounts and the nominal accounts. In this case, only a few adjusting coppers here and there will appear in the

Cash Book, which may be treated as an ordinary indirect expense and be divided accordingly over the turnover. In these circumstances, the entry of sales would appear in the Sales Journal as follows—

January 2nd, 19..

	Details.	Total.	A.	B.
John Smith.				
	<i>£ s. d.</i>			
17 Articles Dept. A. £1 ..	17 0 0			
Less 2½%	8 6			
	<hr/>	16 11 6		
40 Articles Dept. B. 10s.	20 0 0			
Less 5%	1 0 0			
	<hr/>	19 0 0	35 11 6	16 11 6
			19 0 0	

(Form No. 34)

On turning to the question of Branch Returns, the nature of the Returns will depend entirely upon the character of the work done at the Branch.

Branches may be classified for this purpose into—

- (1a) Branches with power to sell for cash only.
- (1b) " " " " or on credit.
- (2a) " for manufacturing only.
- (2b) " " " with power of purchase.
- (3a) " worked as entirely distinct businesses, save for Management and Finance.
- (3b) Branches worked as entirely distinct businesses, save for Management.
- (4) Foreign Branches, involving all or any of the above.

In the case of the first of these, the Branch in question is worked best on the "Multiple Shop" system. Goods sent to it will be charged out at the ordinary selling price. A special Cash Book will be allowed to the Branch Manager, from which to make his necessary Disbursements, which will be kept on the "Imprest" system as described in Chapter XV. The only item allowed to be "received" in this book will be the weekly cheque from the Head Office to cover his disbursements for the previous week. All cash received by him for sales will be entered in a separate account, and the total cash sent to the Head Office in the manner and at the time directed. Stock must be taken periodically, and the amount of the Branch

Stock, as per last stocktaking, plus the goods since charged out to it (at selling price) and less the cash remitted, should be the Stock in hand.

The records kept at the Head Office would consist of two personal accounts with the branch, one dealing with the Branch Cash Book (for outgoings) and the other debiting it with the goods at selling price, as in the case of an ordinary customer, the credit being the cash returned. If credit sales are allowed, the balance will consist partly of stock and partly of book debts, and credit must also be given for discount and allowances (if any). At the time of taking out a Balance Sheet, however, it must be remembered that these balances are *not ordinary book debts*, but include stock at selling price and a reserve must, therefore, be made to reduce this figure to cost price.

Where the Branch has power to sell on credit and receive payment of its own accounts, to the system dealt with at the Branch (as above) must be added a Sales Day Book and Ledger, and the keeping of these books will be on the same principle as may be used at the Head Office. To the Return of the Cash Receipts Summary and Imprest Cash Payments must be added, in many cases, a list of credit sales, and, in all cases, a list of the outstanding balances as per the Sales Ledger. The Branch Balancing Statement under these circumstances will appear as follows—

19..	£	s.	d.	19..	£	s.	d.
Jan. 1.—To stock at date	-	-	-	Mch. 31.—By cash sent to	-	-	-
" " — „ Book debts	-	-	-	H.O. ..	-	-	-
at date ..	-	-	-	" " — „ Discount and	-	-	-
Mch. 31.— „ Goods re-	-	-	-	allowances	-	-	-
ceived during	-	-	-	per list ..	-	-	-
quarter ..	-	-	-	" " — „ Stock at	-	-	-
	-	-	-	date.. ..	-	-	-
	-	-	-	" " — „ Book debts	-	-	-
	-	-	-	at date ..	-	-	-
	-	-	-		-	-	-
	-	-	-		-	-	-
	-	-	-		-	-	-

(Form No. 35)

Branches which are used for manufacturing purposes, but have not power to purchase, will usually be worked simply as Department, and may be treated as such throughout.

Where the Manufacturing Branch has power to purchase, but such purchases are paid for by the Head Office, a special Branch Goods Received Book should be kept, and invoices received should be marked off therein as passed, and then—after having the rubber stamp impressed upon them and being duly initialed by the responsible parties—be forwarded to Head Office. The rubber stamp will be a special one for the Branch, and ought to contain the following particulars—

STRATFORD BRANCH	
Goods recd.	
Recd. Book fo.	
Price checked	
Manager (Branch)	
Calculation checked	
Manager (General)	

The cash would be kept as before, and the Returns would be rendered periodically according to the class of trade; these would consist of (1) Summary of Cash Payments, (2) Summary of Purchases (i.e. "invoices forwarded herewith"), (3) Particulars of Output and goods sent to the Head Office, or direct to customers, if so instructed, (4) Particulars of stock on hand (whenever taken), (5) List of goods received, or expenses incurred, for which no invoice has yet arrived.

The entries in the books at the Head Office might consist of a personal Cash Account with the Branch Manager, as previously described, and a special Purchase Book, the totals of which could be taken out for statistical purposes to set against the output in order to compare the cost with similar work done at the Head Office, as on the Departmental system.

Where the Branch is worked as a separate business save for finance and management, assuming that all accounts are received and paid at the Head Office, the Branch must forward to the Head Office—in addition to the cash statement—particulars of all purchases as above, and particulars of all sales, forwarding the cash for any small cash sale which may occur. The

method of dealing with sales varies in different businesses, but perhaps the method most economical of time is to instruct the Branch to issue all invoices for goods sold by means of type-written forms in copying ink, and with a carbon sheet underneath. In this way they obtain, in addition to the original which is sent to the customer, two copies of each invoice outward, one of which they retain for reference and the other is forwarded to the Head Office with a summary of the sales. Allowances, if claimed at the Branch and passed by it, should be dealt with by means of a credit note which is issued to the customers in the same way as if it were a sale, and one copy forwarded to the Head Office with the monthly summary.

In the Head Office, the totals of these sales, purchase expenses, and allowances will be dealt with in a separate series of impersonal accounts, which will show the profit or loss made at the Branch. If the customers are the same people, very frequently one personal account only is opened for each, to which account the sales from both Branches are posted. On the other hand, if it is desired to keep them distinct it is usually better to do so by means of two columns on the debit side of the ledger, if there are two Branches only, rather than by having separate ledger accounts, as, if there are two (or more) ledgers with accounts for the same customers in each, a customer who is not considered "safe" may get a larger credit than he would otherwise be allowed.

In the last type, viz. where the Branches, except for being under one General Manager, are separate concerns, and have full power to pay and receive accounts, the usual course is to give the Branch a full set of books and a local clerical staff. The books will be kept at the Branch where a Profit and Loss Account and Balance Sheet will be prepared, in the usual way, the only difference between a Branch of this nature and an ordinary business being that a "Remittance Account"—and, if necessary, a "Goods Account"—will be opened with the Head Office to record the transactions between the two in cash and goods respectively, and there will also be a Head Office Adjustment Account to which the balances of the "Remittance Account," "Goods Account," and "*Profit and Loss Account*" will all be transferred.

The Returns to be sent to the Head Office will comprise such monthly Returns as to Sales, Purchases, Cash, etc., as may be

required to be submitted to the Board—or the Proprietor, as the case may be—and at the year end a detailed Profit and Loss Account and Balance Sheet, to be incorporated with the Head Office Accounts.

At the Head Office, the Branch Remittance Account and the Goods Account will be transferred to the Branch Adjustment Account; their own Profit and Loss Account will be prepared in the ordinary way, and they will debit the Adjustment Account and credit *in detail* a Branch Profit and Loss Account. These two Profit and Loss Accounts will then be combined, if the business is of the same class; and a combined Balance Sheet will be prepared from the Head Office and Branch Balance Sheets by adding together the Stock, Book Debts, etc., and striking out the Head Office Account from the Branch Balance Sheet and the Branch Account in the Head Office Balance Sheet. This will not affect the Balance, as the debit which exists in the Head Office books as the investment in the Branch should (theoretically) agree exactly with the credit in the Branch books for the Head Office Adjustment Account. If they do not agree and the entries are correct, the difference will arise from some cash or goods in transit which have been charged by the one side and not yet credited by the other as received, and this amount will go to increase the cash or stock respectively. A Reconciliation Account—similar to that employed to check a bank pass book—should be prepared in all such cases.

Where a Foreign Branch is owned, the same procedure as the last described will almost certainly be adopted, subject to the following notes: The question of foreign exchange will arise; the Adjustment Accounts will almost certainly require adjustment for cash or goods in transit; and quite possibly fixed assets will be recorded in the Head Office books only. The reason for this latter, especially where the Foreign Branch is situated in a country where a silver standard is in vogue, is that fixed assets must appear at cost price (less depreciation), and it only complicates the books unnecessarily if a different rate of exchange has to be adopted for this class of item to all the other Branch figures, while to ascertain cost in that case involves calculating the rate of exchange at the rate ruling when these assets were purchased or erected. The best method is to transfer, each year, the assets so purchased by the Branch to the Adjustment Account, and in the Head Office make

corresponding entries—debiting the Branch asset concerned and crediting Branch Adjustment Account.

The question of Exchange will affect the keeping of the Remittance Account and the method of dealing with the final accounts. The former must be kept with two money columns on each side, showing not only the amount remitted but also the exact figure which each remittance has realized in the other money denomination. The method of dealing with the final accounts differs, but perhaps the simplest is the one here described. Convert the final Trial Balance and Profit and Loss Account from the Branch into sterling at the average rate of exchange ruling for the period under review, and make the following adjustments—

It will be remembered that, by their entry at the time in Head Office books, fixed assets stand at the rate ruling at date of purchase. No further adjustment is necessary in respect of these save that, when there is a permanent decline in the value of the currency, it is expedient to build up a reserve against this capital loss. With regard to the accounts kept in the Branch Ledger, a good plan which is as a rule sufficiently accurate for all practical purposes is to convert all these accounts at the actual rate realized for cash transfers, as per the Remittance Account, when there will then, in the first instance, be no difference to transfer to Exchange Account; then ascertain the rate of exchange ruling at the date of closing the books, and, if it is higher (i.e. if the value of the currency as expressed in sterling is lower) than the rate at which the ledger balances have been converted (i.e. the average rate for the year), debit Exchange Account and credit a Suspense Account with the possible loss on exchange on converting the floating assets (less the local liabilities, which will have to be paid in the local currency). Transfer the balance of Exchange Account to Profit and Loss and carry the Suspense Account to the Liabilities side of the Balance Sheet as a Reserve against possible loss on exchange; any provision that may be built up against loss on the fixed assets will also appear in this same Account.

The most substantial advantage which will accrue to the Manager from a satisfactory system of book-keeping is perhaps the promptness and ease with which all sorts of useful information can be obtained; and one of the most convenient forms for this purpose is undoubtedly the tabular statistical statement. These statements

will vary according to the class and size of the business, but should include a statement of all overdue accounts, a summary of the book debts and liabilities, bank balance, estimate of stock (if possible), and statements of the turnovers, purchases, wages and expenses (with the percentages that these latter bear to the turnover), together with comparisons with the previous year, or years, in tabular form.

The statement of overdue accounts should show the name of the debtor, amount, date contracted, date due, amount paid on account (if any), and remarks as to the cause of the delay (if known), e.g. claim on account of defective work, inferior quality, delivery, or other *bona fide* dispute.

The statements of other book debts and the liabilities may safely be taken from the balances of the Sales and Purchases Ledgers Adjustment Accounts, as described in Chapter XVIII, if that system is in use; these are submitted to the Manager with the cash and bank balances to show the amounts which are payable by the concern during the current month and the funds in hand, or likely to be available, to meet such payments. Bills Receivable in hand (if any) should also appear in this statement as, if funds are insufficient, they can always be negotiated.

If from the Stock Book an estimate of the Stock in hand can be given, this is also desirable, and will be useful—in fact, necessary—to ascertain the estimated cost as detailed below.

The sales will be set out in tabular form showing details as under—

STATEMENT OF SALES, 19..

	19..	19..	19..
Sales to Aug. 31st			
„ for Sept.			
Total sales to Sept. 30th.			
Add estimated Stock of manu- factured goods at date.			
Deduct Stock at Jan. 1st.			
Production to date.			
Sales for Sept.			
Add estimated stock at Sept. 30th			
Deduct estimated Stock at Aug. 31st			
Production for Sept.			

The foregoing statement shows the consumption and expenses for the month, and a sheet ruled in a similar manner would show the consumption for the nine months ending Sept. 30th.

These figures will be carried to another statement, the form of which is self-explanatory.

Nature of Charge.	Consumption for month Sept. 19...	Percentage on production for month.	Similar columns for 19... and if desired for 19...	Consumption for 9 months ended Sept. 19...	Percentage on production for period.	Similar columns for 19... and 19...
Raw Material Wages, etc.						

Estimated Net Profit:

(Form No. 38)

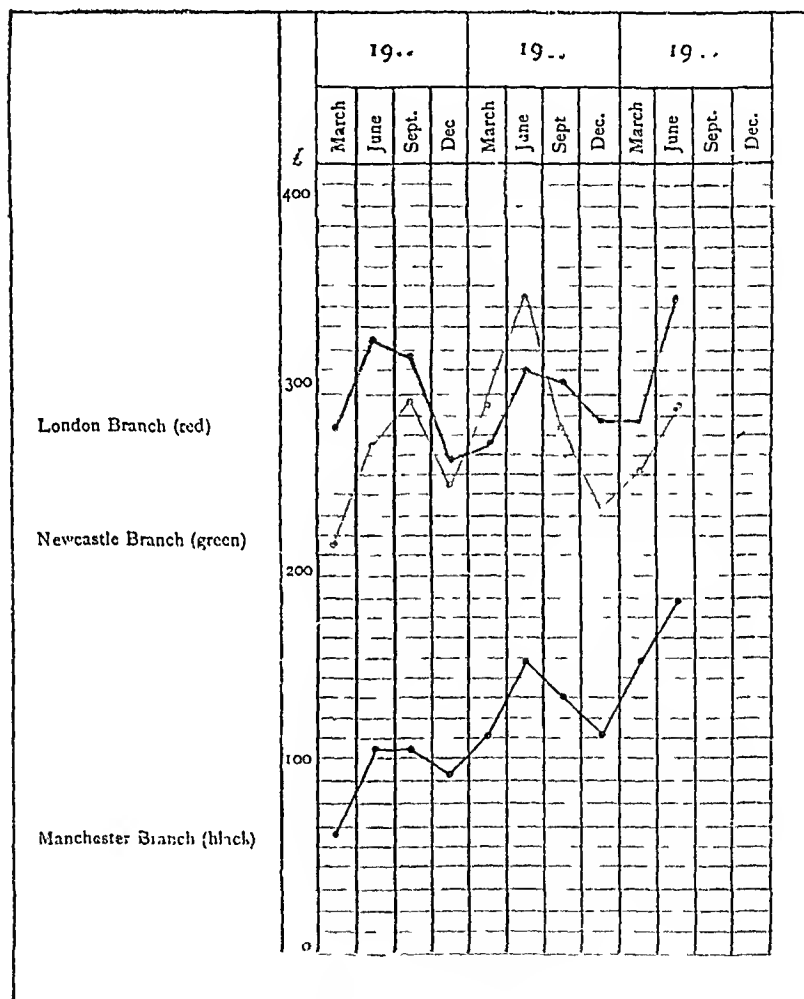
If Cost Accounts are kept the figure of estimated profits can be satisfactorily compared with the amount ascertained from the Cost Book, and, if carefully extracted, should correspond closely with the ascertained profits at the year end, as per the Profit and Loss Account.

Some firms also submit an analysis of Cash Receipts and Payments, but if a good system exists with regard to these, and statements similar to the above are submitted, this is scarcely necessary and conveys comparatively little information in an ordinary business concern.

Statements in tabular form should be prepared for each Branch and Department from these Returns, and a summary comparing those engaged in similar work should also be submitted.

Another way of conveying the information is by means of diagrams and curves, which are much more graphic, and much less

CURVE SHOWING BRANCH SALES



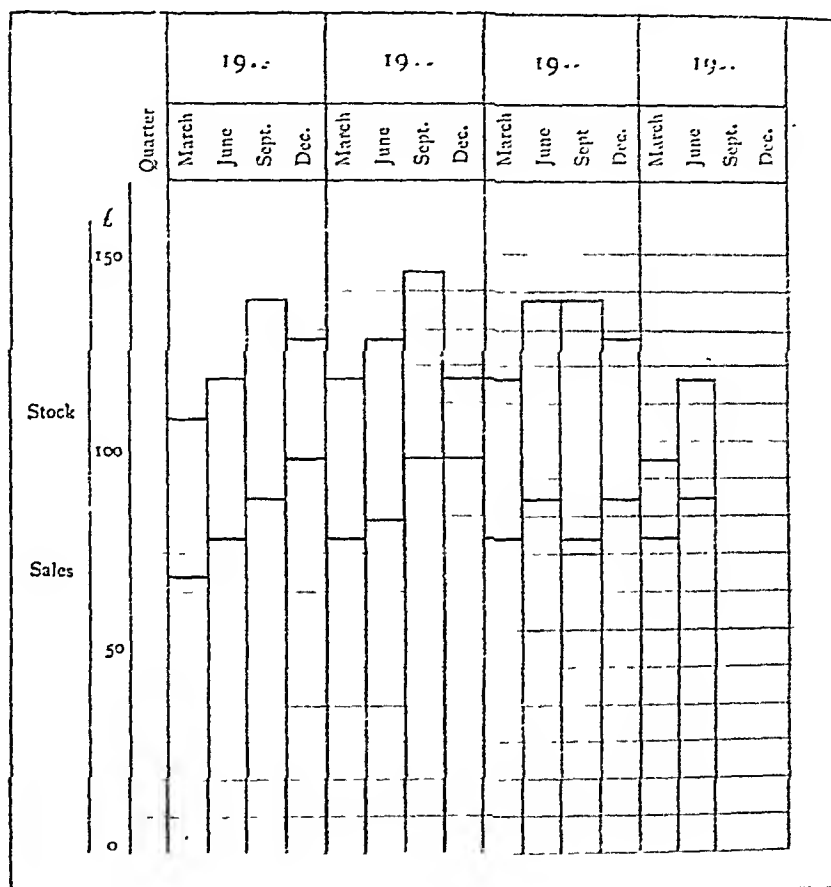
(Form No. 39)

bewildering to the eye and the brain than returns of figures in many columns. Take, for example, the curve above showing the sales per quarter by three selling branches of a firm.

The following diagram shows the value of the Stock of a certain

article of manufacture in the Warehouse at the beginning of each quarter and the value of the sales made during that quarter—

DIAGRAM SHOWING QUARTERLY STOCK AND SALES

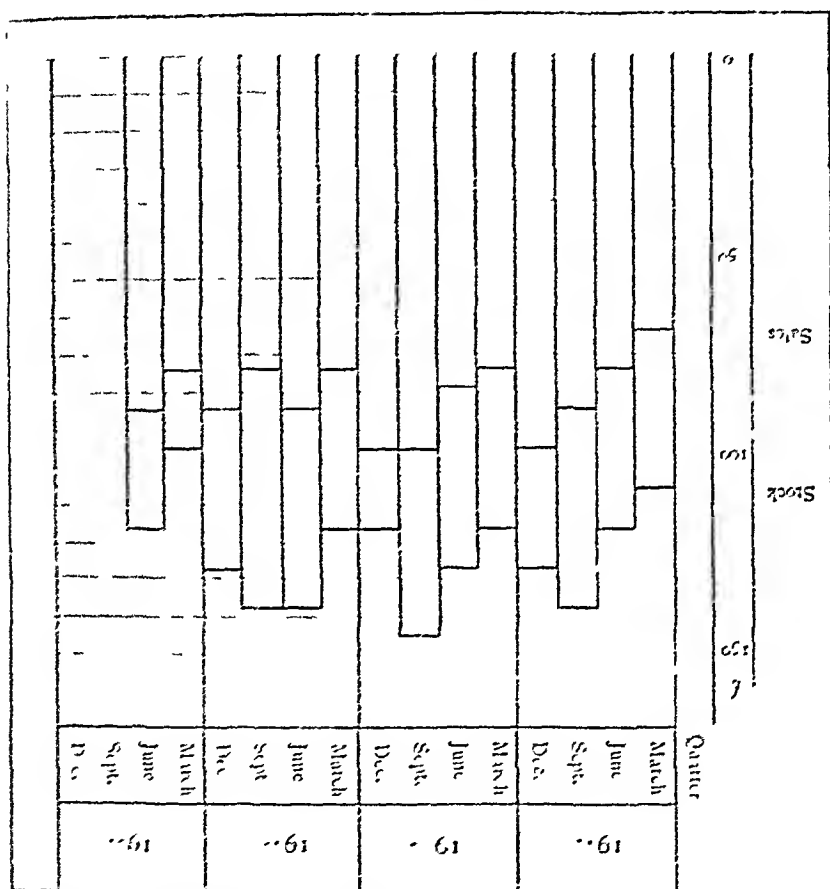


(Form No. 40)

It is, however, of the utmost importance that such diagrams as the above should be invariably prepared *on the same scale*, or their appearance will be entirely misleading.

article of manufacture in the Warehouse at the beginning of each quarter and the value of the sales made during that quarter—

DIAGRAM SHOWING QUARTERLY STOCK AND SALES



(Form No. 40)

It is, however, of the utmost importance that such diagram the above should be invariably prepared on the same scale their appearance will be entirely misleading.

CHAPTER XV

Finance—Banking Accounts—Loans, Overdrafts, Mortgages, Debentures, Bills of Exchange, etc.

The question of Finance is perhaps the most important one which arises in the modern business world. According to the official returns, "insufficiency of capital" is one of the most frequent causes of failure, and that insufficiency may—given experience and judicious management—be felt to a far less degree than would otherwise be the case.

With a view to paying a good rate of interest or dividend on the money invested, the Manager should see that there is no unnecessary money in the concern, but there must be sufficient to provide working capital after the full equipment of the business. This working capital should consist of enough money to provide and hold an adequate stock, a reasonable amount of book debts, and a margin in the bank to ensure a prompt settlement of creditors' claims, with something over to enable the Manager to take advantage of a specially good offer owing to a sudden drop in the market, etc. It is only by close supervision of all these points that success can be looked for in these days of keen competition. Without the adequate provision for stock and book debts, orders will go past the concern to others who can give prompt delivery or longer credit; and, without the other two requirements named, it is impossible to obtain those favourable terms for the purchasing of goods which are essential to cheap production. On the other hand, if more capital is used than is absolutely necessary as stated above, the rate of the return will suffer and the business appear to be less remunerative or less well managed than it really is.

To work this important section satisfactorily, the Manager must have a good system, and the cordial and efficient co-operation of his Cashier and his Accountant.

The "good system" will show itself in the method of dealing with book debts and cash, and the arrangements with the bank. To take these in the order given, the system of book debts should be based on the assumption that all sales are promptly charged out, and all the postings made daily from all the subsidiary books

cheques payable to order, and marked "not negotiable." The only cheque drawn "uncrossed" should be the weekly one for the exact amount of wages and petty cash required.

The petty cash should be under the control of a responsible person who should hold an advance of a sum sufficient to bear all expenses under this head for an agreed period, depending upon the amount of expenditure involved. Each week he must produce his book to a stated official—the Manager, Accountant, Cashier, or Staff Auditor, as the case may be—who should examine it with the vouchers and certify the amount spent. This amount should then be repaid to petty cash out of the next wages cheque, or by a special cheque, thus bringing the cash balance once more to its original amount. The petty cash payments should be set out by means of analysis columns under various headings, and the amount expended posted direct to the nominal accounts involved.

PETTY CASH BOOK

Amount received	Date.	Items.	Total.	Carriage	Stationery.	Postage and Telegrams.	General Expenses.	Sundries.
£ s. d.	19..		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
10 0 0	Jan. 1.	To Cash ..						
	" "	By Cable, India ..	12 6			12 6		
	" "	" Tram fare R. G.						
	" 2-8.	" to Bank ..	6 4 1	3 2 0	1 6 0	1 10 0	6 2 1	
	" 8.	" Sundries ..	3 3 3					
		" Balance ..	3 3 3					Balance
								3 3 3
10 0 0			10 0 0	3 2 0	1 6 0	2 2 6	6 3	3 3 3
3 3 3		To Balance.						
6 16 9		" Cash.						

(Form No. 42)

The petty Cashier should never be allowed to *receive* small miscellaneous sums. His only receipts should be the proceeds of cheques re-imbursing the exact amount of his payments.

It cannot be too often impressed upon anyone in charge of whatever system may be adopted that, in no circumstances, should the Cashier be allowed to post to the Ledgers, which latter should be under the direct and sole control of the Accountant. Furthermore, he should never be the *first* person to handle receipts, and should not be allowed to acknowledge them direct.

The banking arrangements, which next require consideration, will depend largely upon the position and turnover of the firm,

cheques payable to order, and marked "not negotiable." The only cheque drawn "uncrossed" should be the weekly one for the exact amount of wages and petty cash required.

The petty cash should be under the control of a responsible person who should hold an advance of a sum sufficient to bear all expenses under this head for an agreed period, depending upon the amount of expenditure involved. Each week he must produce his book to a stated official—the Manager, Accountant, Cashier, or Staff Auditor, as the case may be—who should examine it with the vouchers and certify the amount spent. This amount should then be repaid to petty cash out of the next wages cheque, or by a special cheque, thus bringing the cash balance once more to its original amount. The petty cash payments should be set out by means of analysis columns under various headings, and the amount expended posted direct to the nominal accounts involved.

PETTY CASH BOOK

Amount received	Date.	Items.	Total.	Carriage	Stationery.	Postage and Telegrams.	General Expenses.	Sundry.
£ s. d.	19..	To Cash	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
10 0 0	Jan. 1.	By Cable, India ..	12 6			12 6		
	" "	" Tram fare R. G.						
	" "	" Bank	6 4 2					
	" 2-S.	" Sundries	3 3 3					
	" 8.	" Balance	10 0 0					
6 10 3		To Balance.	10 0 0					
10 0 0			10 0 0					
			3 2 0					
			1 6 0					
			2 2 6					
			6 3 3					
			3 3 3					
			Balance					

(Form No. 42)

The petty Cashier should never be allowed to *receive* small miscellaneous sums. His only receipts should be the proceeds of cheques re-imbursing the exact amount of his payments. It cannot be too often impressed upon anyone in charge of whatever system may be adopted that, in no circumstances, should the Cashier be allowed to post to the Ledgers, which latter should be under the direct and sole control of the Accountant. Furthermore, he should never be the *first* person to handle receipts, and should not be allowed to acknowledge them direct. The banking arrangements, which next require consideration, will depend largely upon the position and turnover of the firm.

they make on the use of the money they hold. Others are charged a fixed commission on the turnover of, say, 2s. 6d. for every £100 passing through their hands. In other cases, a fixed charge of, say, £50 a year is made for their trouble. In the two latter cases, the bank may credit the customer with some interest on the money which it holds belonging to clients. This fixed charge is, of course, in addition to the bank's out-of-pockets, or discount on bills negotiated, if any.

With regard to loans from the bank, the practice again varies with the account and with the bank engaged. In some cases—in fact, in some parts of the provinces the practice is almost invariable—if a loan is required, the customer is allowed to overdraw his Current Account up to the agreed amount, whilst in others the bank grants the loan on a separate account and credits the Current Account with the amount, the loan, of course, carrying interest at an agreed rate, and the Current Account being dealt with as before. By this latter method, of course, the bank has the advantage of receiving interest on the *full* amount of the loan during the whole period it is in existence—the interest (if any) allowed on the balance of Current Account being usually much smaller.

In the case of a limited company, the bank, except where a well-known and strong company is concerned, invariably requires security, which may take the form of a personal guarantee by the Directors or an issue to the bank of debentures.

The usual method of calculating interest by the bank is on the formula that the number of pounds multiplied by the number of days and the product divided by 7300¹ will equal the interest (at 5 per cent) in pounds; but, in endeavouring to check this figure, it must be remembered that while, in the Pass Book, the bank has probably entered the receipts on the day they accepted the same, they will (properly) allow interest only from the day on which the proceeds were *collected*; and that, on the other hand, whilst they enter in the Pass Book the day on which the cheque was presented, they may (presumably improperly) debit interest from the day the cheque was *drawn*. The following figures will show how this interest may be checked, assuming that the dates entered are the correct ones from the interest point of view (interest 5 per cent)—

¹ The correct divisor is in all cases to be found by multiplying the number of days in the year by 100 and dividing by the rate per cent.

if the debtor fails to pay the interest, or breaks any other covenant of the deed, the mortgagee has power to appoint a Receiver of the property, who will pay all moneys received therefrom to the mortgagee until his claims are satisfied. The relation which subsists between the mortgagor and the mortgagee is that of debtor and creditor, and, if the property mortgaged is not sufficient to satisfy the creditor's claim, he may sue the debtor for the balance. Entailing, as it does, the legal conveyance of land, the expense of a mortgage for a comparatively short time is a very serious addition to the charge of interest, and the practice has, therefore, arisen to make what is known as an equitable mortgage. This form of mortgage is now almost the usual procedure to guarantee a bank overdraft or loan where a mortgage is concerned, and it consists simply in depositing the deeds of the property with the mortgagee, together with an undertaking to execute a legal conveyance of the property either on default or on request. No bank will, however, accept such a security without the deeds being examined by a solicitor, and without a survey of the property, but the costs involved are not heavy. Where the advance of money may be required for some length of time, the bank rate of interest (which would be payable in connection with an equitable mortgage) may easily be higher than the ordinary rate of interest on money advanced on mortgage. If the bank had to enforce their rights against the security, they would possibly arrange to sell it and obtain a conveyance from their debtor direct to the purchaser.

Another means available to raise money—in this case, however, for a limited liability company only—is by the issue of debentures. Debentures are the securities for loans granted by creditors to the company in the terms set out under the Bond or Trust Deed acknowledging the debt. They may be for loans by a single individual or by a number of separate individuals to the company, or they may be part of a series covered by one trust deed, in which case they are usually known as debenture stock. In the former case, they are generally covered by bonds issued by the company, setting out the number of such bonds, and that they rank *pari passu* in case of deficiency of assets, if they are charged upon the assets of the company. As regards the charge which debenture holders may have upon the assets, this depends entirely upon the rights given by the document creating the debenture; that is to say, a

if the debtor fails to pay the interest, or breaks any other covenant of the deed, the mortgagee has power to appoint a Receiver of the property, who will pay all moneys received therefrom to the mortgagee until his claims are satisfied. The relation which subsists between the mortgagor and the mortgagee is that of debtor and creditor, and, if the property mortgaged is not sufficient to satisfy the creditor's claim, he may sue the debtor for the balance. Entailing, as it does, the legal conveyance of land, the expense of a mortgage for a comparatively short time is a very serious addition to the charge of interest, and the practice has, therefore, arisen to make what is known as an equitable mortgage. This form of mortgage is now almost the usual procedure to guarantee a bank overdraft or loan where a mortgage is concerned, and it consists simply in depositing the deeds of the property with the mortgagee, together with an undertaking to execute a legal conveyance of the property either on default or on request. No bank will, however, accept such a security without the deeds being examined by a solicitor, and without a survey of the property, but the costs involved are not heavy. Where the advance of money may be required for some length of time, the bank rate of interest (which would be payable in connection with an equitable mortgage) may easily be higher than the ordinary rate of interest on money advanced on mortgage. If the bank had to enforce their rights against the security, they would possibly arrange to sell it and obtain a conveyance from their debtor direct to the purchaser.

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BILLS RECEIVABLE BOOK

Date received	From whom received	Drawer	Acceptor	Where Payable	Date of Bill	Term	Date due	Amount	Interest	Fo.	Credit to Customer	Remarks	Date disposed of	How disposed of	Fo.	Amount
								£ s. d.	£ s. d.		£ s. d.					£ s. d.

(Form No. 44)

but, of course, may, in his turn, claim the amount from anyone liable before him. It is important to notify all people liable to you immediately upon dishonour, as otherwise they may escape liability. The usual practice is, where the person from whom the bill was received is a man of substance, simply to recover the amount from him (after dishonour by the acceptor) and leave him to secure his own position from his predecessors (if any).

Foreign bills are governed by similar rules, save that the days of grace vary in different countries, and the law of the country of payment decides the due date, also that the bill is frequently discounted or negotiated before it is accepted, in which case, if the drawee fails to accept it, the bill is said to be dishonoured by non-acceptance and the drawer is not liable upon it although all other liabilities remain the same. In some cases where a foreign bill is already stamped according to the laws of its country of issue, half the above charges only are necessary, and these are affixed by adhesive stamps.

Promissory notes are comparatively little used in business. They are subject to practically the same laws as Bills of Exchange, except that the stamp even for notes payable on demand is always on an *ad valorem* scale.

The usual form is—

<div style="border: 1px solid black; border-radius: 50%; width: 40px; height: 40px; margin: 0 auto; display: flex; flex-direction: column; align-items: center; justify-content: center;"> <div style="margin-bottom: 5px;">2s.</div> <div>Stamp</div> </div>	<div style="display: flex; justify-content: space-between;"> <div>£134 6s. 2d.</div> <div style="text-align: right;"> Bow, E.11 Jan. 6th, 19.. </div> </div>
<p>Three months after date We promise to pay Mr John Smith or order the sum of One hundred and thirty-four pounds six shillings and two pence value received.</p>	
<p>Mr. John Smith, 16 Priors Court, E.C.2</p>	<p>For the Earlham Manufacturing Co., A. H. BLAKE, Manager.</p>

(Form No. 45)

It will be obvious that, in many cases, the foregoing principles will be differently adapted in practice to meet the requirements of different classes of accounts, but a careful consideration of them should lead to the selection of the most suitable system and should obviate many of the irregularities and complications which might otherwise result.

Cases have been known in which a Cashier has been entrusted with the keeping of the Debtors' Ledger. A system which permits such an anomaly as this clearly invites irregularity, and there can be little wonder if an official should go astray in the execution of his duty when the means of delinquency are so easy and obvious.

Many private firms are disposed to trust their staff to such an extent as to make no provision for the professional audit of their accounts. Whilst it is, of course, eminently desirable that officials should have proper confidence reposed in them, it is wholly unadvisable for this to be carried to the extent of foregoing, as unnecessary, a periodical examination of the transactions for which they are responsible. The Principal or the Manager who has failed to institute some adequate means of audit, as a protection to his firm and a deterrent to his employees, is himself largely to blame for any irregularities or fraudulent mistakes which may arise.

The great majority of the transactions arising in any trade, business, or undertaking consist in (a) Receipt and Payment of Cash, (b) Purchase and Sale of Goods; and, although there may be various channels required, through which transactions are passed, yet the simple facts stated above cannot be too clearly kept in view, for they really constitute the Alpha and the Omega of the life of the business concerned.

By the English system of book-keeping, as opposed to the Continental system, the process of journalizing is greatly diminished without in any degree interfering with the principle of double entry. Various subsidiary books are employed which replace, to a great extent, the work of the Journal as the book of original entry. In these subsidiary books, transactions of a similar nature are collated, and, by this method, the work of posting is considerably lessened.

In practical working, the most important books of account are

(1) Cash Book, (2) Purchases Book for recording Credit Purchases, (3) Sales Book for recording Credit Sales, (4) Journal (or Journals) for recording transactions which cannot be dealt with otherwise, and (5) Ledger.

With regard to the Cash Book, it must be remembered that—unless the monthly totals are posted to the Ledger, as described later on—this is not a book of first entry merely, but really a part of the Ledger itself, from which it is kept distinct merely for the sake of convenience. The most expedient form of Cash Book is one which combines all cash transactions, whether made by cheque drawn on the firm's bankers or by cash from the office, and which also includes a column on both sides of the account for recording the operation of discount. These discount columns constitute, in effect, a Discount Journal, which by being kept in conjunction with the Cash Book proper obviates the necessity of posting the individual items to the Ledger Account. The several columns will be totalled monthly, and the totals carried to the particular account in the Nominal Ledger. The form of Cash Book which is required is shown on the inset facing page 178.

Unless, however, it is desired that the Cash Book shall not show the bank balance, it is quite unnecessary to post the monthly totals of its "Cash" and "Bank" columns, as the balances may be carried forward from month to month in the Cash Book.

There are many different methods of recording transactions relating to the Purchase and Sale of Goods on credit. The following essentials must, however, be noted in adopting a satisfactory and reliable book for this purpose. The book must record—

(a) Date of Purchase or Sale.

(b) Name of Vendor or Purchaser.

(c) Quantity, description, and cost of the goods bought or sold.

It is frequently found that goods have been insufficiently described when the original entry has been made, with the certain result that the classification in the Stock Ledger is either misleading or inaccurate.¹ This should be avoided, as much subsequent inquiry will be saved by a careful description in the book of original entry.

It is highly desirable that the results of the trading in each Department of a business shall be separately ascertained. For this purpose, it is advisable to keep both the Purchases and the

Sales Books by the tabular method. The inset facing this page shows a convenient form of Tabular Sales Book.

If, however, the "slip" system is employed, the departmental totals can be readily arrived at by sorting out the duplicate slips, and this saves much time when the departments are numerous.

In practice, the Journal need be used only for recording transactions which are outside the scope of other books, such as Interest, Depreciation, Bad and Doubtful Debts, Bills (if no Bill Books are kept), as well as for recording all opening and closing entries. The details of the various subsidiary books are sometimes journalized, although this is by no means necessary, save to facilitate sectional balancing of the Ledgers.

In the English system of book-keeping, the Ledger is by far the most important book. As is well known, it includes, in a classified form, a record of every financial transaction which has taken place in the business or undertaking concerned. It will not be necessary to explain in any detail the method whereby the several Ledger Accounts are linked together, but it should always be borne in mind that this book is for *postings* only from the various books of original entry, and that no items should be included therein which have not been first recorded either in the Cash Book or in one or other of the books of first entry.

In large counting-houses, it is necessary to keep Sectional Ledgers, in order to avoid the employment of a book too large and inconvenient to be easily handled, and also in order to effect a fair distribution of the posting work. By employing different ledgers in this way, or by employing the Card or Loose-Leaf Ledger system, the posting can easily be proceeded with concurrently by numerous different book-keepers.

A Manufacturing Account to some extent combines the functions of a Goods Account and a Profit and Loss Account. In arriving at the Manufacturing Profits, only such charges should be debited to the account as are included in the Cost Accounts, so that both may show the same result—the factory profit on the articles manufactured.

In establishments containing several departments, it is desirable to keep separate Trading (or Manufacturing) Accounts, for the purpose of ascertaining what profits are severally realized. Each separate account should be debited with a fair proportion of

Columnar Cash Book

Dr.

Cr.

Date	Receipt No.	Corresponding Credit	Ledger folio	Discount	Cash	Bank	Date	Voucher No.	Corresponding Debit	Ledger folio	Discount	Cash	Bank
19 Jan 1	-	To Goods sold					19 Jan 1	1	By Brown & Co.		2 10	22	
3	-	By Bank	6		20			-	By Cash	6			20
8	2	J. Jones		1 2 6	20	45		2	Long Trading Co.		5		100
12	3	By White		17		34	"	-	By Hayes			20 10	
15	-	Goods sold			65		6	3	By Peter Bird & Co.			5 12	
"	-	By Cash	6			30	15	-	By Bank (Notes)	6	30		
25	4	Stone & Co.		1 2		44		-	By Hayes		18 15		
29	-	By Bank	6		25			-	By Self (Drawing 40)		10		
31	-	Goods sold			54		25	-	Goods purchased		6 6		12 10
							29	4	By Lees & Co.		3	6	
							"	5	By Black (Prom)	6			5 10
								-	By Cash				25
								-	By Hayes			17 10	
							31	-	By Garage				
				3 1 6	194 0	153 0					7 19 6	142 7	163 0
		Totals carried to Normal Ledger											0

(Form No. 47.)

Tabular Sales Book

Ledger folio	Press Book folio	January, 19	Rate	Total	Bricks	Coal	Lime
		3					
		<i>4 Jones</i>					
		10,000 Bricks	2¢	12 10	12 10		
		5 tons Lime	2¢	5			5
		6					
		<i>Stone & Co.</i>					
		10 tons Nuts	12¢	6		6	
		5000 Bricks	3¢	7 10	7 10		
		20					
		<i>P. White</i>					
		10 tons Lime	22¢	11			11
		15000 Bricks	2¢	15 15	15 15		
		5 tons Best Coal	22¢	11 5		11 5	
		24					
		<i>Boulders Supply Co.</i>					
		20,000 Bricks	3¢	30	30		
		Total		97			
		Bricks A/c \$			65 15		
		Coal A/c \$				17 5	
		Lime A/c \$					16

(Form No. 48.)

establishment charges, whenever it is practicable so to apportion them upon a reasonable basis, but not otherwise.

It is of advantage to divide the Profit and Loss Account into two sections, the first of which will show the Establishment and General Charges and the Gross Profit brought from the Trading Account. The other section of the Account will show the credit balance brought down from the first section together with any income derived from dividends, rents, etc., and on the debtor side will be included all losses which are independent of the actual trading of the business, namely, salaries of partners, interest, etc., as well as the division of Net Profit.

With companies, the allocation of divisible profits should be dealt with in a third section; indeed, in most large undertakings, it is necessary to open an Appropriation Account for the purpose of showing the application of the Net Profit. This account would be credited with the Net Profit brought down from the second section of the Profit and Loss Account, together with any unappropriated profit from a previous balancing, while on the other side would be shown the dividends paid out to shareholders—or, in the case of a Public Authority, the amount set aside in aid of local rates as well as the provision made for Reserve. It must be borne in mind that the Appropriation Account should be credited with only the net profit actually available for division *after all statutory or proper charges have been duly provided for*.

The Double Account System is almost exclusively adopted where capital has been contributed for a specific purpose, and applies to companies authorized to construct or acquire railways, tramways, or gas, electric light, and water undertakings, etc. The system is statutorily imposed on companies governed by the Railway Companies (Accounts and Returns) Act, 1911, and the Gas Works Clauses Act, 1871.

By the Double Account System, the cost of all capital assets is exhibited in one Capital Account, the balance of which is taken to the General Balance Sheet. It must also be remembered that the Capital Expenditure is always stated at its original cost, no adjustment of Capital Assets being (as a rule) allowed.

The principal object sought by the Double Account System appears to be that the amount of capital raised for any specific purpose should be shown in direct connection with the application

STATEMENT OF PROFITS FOR ASSESSMENT TO INCOME TAX FOR THE
FISCAL YEAR 1927-8

Dr.

Cr.

Year ended		31st Dec., 1926	Year ended		31st Dec., 1926
To Rent and Local Rates	150	-	By Gross Profit from Trading Account . .	4,500	-
" Charitable Subscriptions	10	-	/		
" Income Tax	600	-			
" Depreciation of Plant and Machinery .	400	-			
" Interest on Mortgage	30	-			
" Partners' Salaries	600	-			
" Interest on Capital	400	-			
" Balance carried down	2,310	-			
	<u>£4,500</u>	<u>-</u>		<u>£4,500</u>	<u>-</u>
To Assessment under Schedule A on Works owned and occupied by the Firm . .	100	-	By Balance brought down	2,310	-
" Balance being Profit assessable to Income Tax subject to allowance for Wear and Tear of Plant and Machinery	4,250	-	" Deductions as per contra not allowed for Income Tax Assessment— Charitable Subscriptions	10	-
			Income Tax	600	-
			Depreciation	400	-
			Interest on Mortgage	30	-
			Partners' Salaries	600	-
			Interest on Capital	400	-
	<u>£4,350</u>	<u>-</u>		<u>£4,350</u>	<u>-</u>

(Form No. 49.)

In computing the profits upon which the average of assessment is to be taken, deductions are allowed in respect of—

- (1) Repair of premises occupied for trading purposes and for the supply or repair of implements, utensils, or articles employed in the trade.
- (2) Bad Debts; also Doubtful Debts, according to their estimated value.
- (3) Rent (or annual value, if higher) of Trade premises.
- (4) Rent (or annual value, if higher) of any dwelling-house used partly for the purpose of business, such sum not to exceed two-thirds of the rent or value as the case may be.
- (5) Rates, Taxes (except Income Tax), and Insurance (fire, burglary, or guarantee).
- (6) Loss of stock by fire (not covered by insurance).
- (7) Bank interest and charges.
- (8) Profit derived from casual transactions bearing no relation to the ordinary business of the trader.
- (9) Profits already taxed at their source.

In addition to the above deductions, it is customary for the Commissioners to make allowance for wear and tear of plant and machinery. The rate of allowance varies in different districts, and application for such an allowance must be made to the local Inspector of Taxes. It is deducted from the assessable profits, but does not affect the profits themselves. As soon as the amount so allowed totals up to a sum equal to the original cost of the asset all allowance for wear and tear ceases; but in the meantime it is cumulative, in the sense that if the assessable profits are nil the allowances for that year may be carried forward and charged against subsequent years' assessable profits, and if the allowance exceeds the assessable profits in any one year excess may similarly be carried forward.

The inset facing this page is a convenient form in which the Statement of Profits may be prepared, and is one usually accepted by the Income Tax Authorities.

In all cases where a loss is revealed, the assessment for the following fiscal year will, of course, be *nil*; but there are, broadly speaking, three other forms of relief, viz.—(a) the assessment *for the year itself* may be reduced by the amount of the loss under Section 34

of the Income Tax Act, 1918. (b) If two distinct businesses owned by the same taxpayer show the one a loss and the other a profit in the same year, the loss may be set off against the profit. The authority for this concession is Rule 13 of Schedule D. (c) Any balance of loss not used in *either* of these ways may be carried forward and set off against any assessable profits of the business in the next six years of assessment, but a new owner can not take any benefit.

The assessable profits of companies, together with interest, rents, and other annual payments, rank as "investment" income; but the profits of partners, and the remuneration of employees, directors, etc., are "earned income." A limited partner's share of profits is "investment income." The distinction is of importance, for "earned" income, up to a maximum of £1500, is subject to an abatement of one-sixth in taxation.

Kingston Cotton Mills Company, Ltd., states in his report that the Stock is taken and certified by the Manager and accepts a certificate from him as to its accuracy. It must further be remembered that, if a Limited Company declares a dividend which has not been earned out of profits (which might occur through an over-valuation of Stock), the parties responsible for such overstatement would be liable, and might, under certain circumstances, be called upon to repay such sums wrongfully distributed.

Enough has been said to show the importance of Stocktaking, both to the concern and to the Manager, and it now remains to be seen how best to deal with the matter to ensure as far as possible that no unfortunate mistake shall arise.

It must be remembered that the Stocktaking invariably means a certain amount of dislocation of the ordinary business, and, to minimize this, all arrangements should be made before the date fixed for taking the Stock. The departments should be carefully gone over, and a responsible man put in charge of each and provided with as many reliable assistants as may be required, or as may be practicable.

If a certain material or section of the goods is not likely to be required for a few days prior to the Stocktaking, this might even be counted and marked as to quantity a few days previously; but, in this case, great care must be taken to mark distinctly on the docket any goods removed, if it should be found necessary to touch this Stock before the day itself arrives.

If the manufactured Stock is boxed, or otherwise packed in separate parcels before delivery (and is, in the meantime, in that form), these boxes or parcels should be examined to see that they all contain the supposed quantity, and, if accurate, should be initialed by the man counting them. If they do not show the full quantity, the number or weight contained should be distinctly marked on the box, and, as before, if it is necessary to disturb any of them to complete an order, etc., the number must be crossed off immediately, so that no error can arise.

In any event, immediately before the Stock is actually taken down, all goods of the same kind should be put together as far as possible, and, if the staff is sufficient to take down the Stock all in one day, very little difficulty should arise. Everything must be counted, or weighed, as the case may be, and then Stock should

be taken, starting at one end of the room, or Works, and going straight forward to ensure that nothing is missed, setting out the article in sufficient detail to avoid mistakes, and giving the exact quantity in Stock. If practicable, the Stock should be taken down on sheets with spaces left to show the price per unit and the calculation of amount in Stock; otherwise the sheets will have to be re-copied in the office on to sheets (or into a book) with these columns. It is desirable also to have an extra money column for details. The necessity for this re-copying should be avoided in all possible cases, as it is a fruitful source of error. In general, it is a great convenience to use Loose-Leaf Stock books, as these can be readily kept separate as long as necessary, and afterwards readily bound together.

By this process, the quantities of Finished Goods, Raw Materials, Repairs, Packing, etc., will all appear under suitable headings, and it only remains to take the work in progress. The character of this will vary according to the business. In the case of an Engineering, Contracting, or similar business, the Cost Book of the jobs in hand will be taken as the criterion. In other concerns, the quantity of the goods in progress will have to be ascertained and dealt with, either according to the Cost Book, if it has arrived exactly at a position which can be valued as being the termination of a particular process, or else it must be valued on its merits by the head of the department and the Manager in consultation.

So far, no difficulty should have arisen, but, if it is impossible to take down all the Stock in one day or whilst the Works are stopped, new complications are immediately presented. In that case, everything must be taken down as far as possible, and, when the Works recommence the ordinary routine once more, if Stock is still incomplete, a special staff must be told off to finish it. The work in progress must always be taken on the day in question, as, on such work, wages and materials continue to be expended, and, if the Stocktaking day (or days) pass without this Stock being completed, the final account will inevitably be wrong. Other items, however, may be accurately completed at a later date, provided due care is exercised.

Any raw materials which may have already been taken into Stock may be safely given out for use on work in progress, or the latter may be removed on completion to Finished Goods which have already

been taken into Stock without fear of error. But, if any raw material which has not yet been taken into Stock is required for work in progress, a careful note must be taken of the same, and the quantity so removed added to the Stock in hand of the material in question. Similarly, if any class of goods which has already been recorded requires for any reason to be removed to another part of the Works where Stock is not yet taken, a note must be made, and the amount so removed and its value deducted from the goods already put down on the sheets. Work in progress must be similarly dealt with when necessary.

The best way to prevent error is to make one man responsible for all this, and to require *everyone* to report to this official any goods which he may have to remove, at the same time filling in a note stating "class of goods, quantity, when taken, from where taken, and to where." The official in question, if he is not already aware of the facts, must then immediately find out whether this will affect the Stock (and, if so, in what manner), and make forthwith a note as to the effect; and he should personally see to the necessary adjustments before the quantities of the Stock sheets are completed as correct and sent to the office.

It will be necessary to go over the various classes of goods to be taken into Stock with the Accountant, and to make sure that such items are legitimate and proper entries. For instance, in some businesses, loose tools are taken into Stock and in others they are not. The reason for this is that, in the first case, the tools are considered as changing too rapidly to be safely treated as fixed assets, and, instead of capitalizing the original cost in the first instance and then writing off a depreciation and charging all renewals to repairs, all purchases—whether they are additional tools or only renewals—are debited to "Loose Tools Account." The tools in hand are then taken as "Stock," and entered in Loose Tools Account as an asset, and the difference between the total debit and the present value, ascertained as above, is written off as Depreciation, or cost of Loose Tools. The same point occurs in Packing. In many trades, the necessary packing tools are capitalized in the first instance, and renewals and depreciation charged against Revenue, while, in other cases, these tools are debited to Packing Account, and their value included with the packing stock at the year end. The Accountant will also be able to inform the Manager whether

or not any such class of goods was taken into Stock at all in the previous year. Many concerns, for instance, do not put any value for Stocktaking purposes upon their stationery, fuel, samples, etc., while others are in the habit of doing so, and, if such items have been omitted in previous years, they must not be taken into account for the current year, as this would have the effect of reducing the proper charge for the year involved. For instance, suppose that the order forms, stationery, etc., amounted at December 31st to £55, but had not previously been taken into Stock, then to include this amount in this year's stock would have the effect of reducing the sum expended by £55 without taking into account the value of stationery on hand at January 1st, but since used. If, for purposes of accuracy, it is desired to include the figure, an adjusting entry would have to be made in the old account by the Accountant. An exception to this might arise under the following circumstances, as in the case of a concern with the necessary storing accommodation buying, in anticipation of a coal strike, a very large quantity of fuel. Such excess might properly be dealt with as Stock on hand, even though coal had not been included previously in the Stock.

When all quantities have been entered upon the sheets, these are taken into the office for completion. The first thing required is to ascertain the prices, which are best filled in under the personal supervision of the Manager or the Accountant.

Finished Goods should be valued at cost, unless in the meantime the market price has become the lower of the two. Cost will be ascertained from the Cost Book, or other similar source. The exceptions to this rule are—

- (1) In the case of certain trades where maturing is usual or necessary—for example, timber, wines, etc.—Stock increases in value with age, and, indeed, if bought green, must necessarily be kept a certain time before being used ; in these and similar cases, interest is generally added to the original cost ;
- (2) Where the goods are already sold under a contract, even though the price has fallen in the meantime, they are usually taken at the cost figure ;
- (3) Certain trades manufacturing a standard article, the price of which varies according to the market, will frequently take the market price, less a percentage.

Work in progress will be valued, as before stated, by the Manager and the head of the department on similar lines to the Finished Goods, and based as far as possible on cost.

In both these cases, it is usual for engineers' contractors, etc., to ascertain the cost by taking from the Cost Book wages and material, and adding thereto a percentage for indirect expenses and a further percentage for the office charges, etc. In most other businesses, the cost of wages and materials only is taken, without any addition for the indirect charges. The Manager, however, will follow the basis of previous Stocktakings, or, in the case of a first Stocktaking, the instructions of the Board or the Proprietor, who will probably decide the principle in consultation with the Auditor, the Accountant, and the Manager.

Raw materials will be priced at cost, after comparison with the current purchasable price, which must be taken if it is lower. It is also desirable to value these at a lower price, if they are not worth so much to the firm as at the time when they were bought. For example, a newer invention may make certain materials which have been in stock some time almost obsolete for the purpose for which they were originally purchased, and yet not have affected the market price, because they may keep at their old value in other trades, though the firm may hold too small a quantity to offer them to strangers, and may have no outlet for the goods in question amongst their present customers.

Loose tools and packing tools—if necessary to be dealt with as Stock (as to which see above)—must be re-valued each time, as it would be a manifest absurdity to enter at cost price a tool which may have been in use for months and may be nearly worn out. Some firms enter unused tools, etc., in stores at cost, and take a percentage up to 50 per cent or more (according to the residue of value, if any) from those tools which are in use in the Works.

Other classes of Stock will be priced at cost or market price, whichever is lower, excepting where, in any particular case, it is considered advisable to write off a special discount for any reason.

In estimating these prices, it must be remembered that many trades allow a trade discount off the goods they supply, and, if this exists, it must be marked distinctly on the sheets in red ink and the net amount only entered. It is for this purpose that a second

money column is desirable on the Stock sheets, so that those classes of goods liable to a trade discount may be entered in the inner column and the discount deducted from the total, only the net figure being extended.

The quantity and prices all being entered, the next step is for the Office Staff to calculate the value of the Stock on hand by the extension of the figures. This is purely mechanical work if the prices are entered clearly and distinctly, and similar clearness of entry must apply to the unit of purchase, as this, if not properly entered, may easily lead to an error. For instance, many classes of goods are bought (as in the dyeing and kindred trades) by the bag, and, if the Stock appears, as it probably will, at so many pounds avoirdupois, an error may arise with a careless clerk or even with one who, though fairly careful, has little or no practical knowledge—unless the *unit* of purchase is given as well as the price. Similar examples of this occur in purchases by the kilogram, dozen, etc., where the same unit is not invariably used in the Works. All the sheets must be calculated, therefore, with great care, and be checked by a second clerk, each signing every sheet for which he may be responsible.

A summary of the Stocktaking will be prepared for the use of the Accountant, dividing the Stock under the various headings of Finished Goods, Raw Materials, etc.; and, if Departmental Accounts are kept, these divisions must be separated further into Finished Goods, Department A; Finished Goods, Department B; etc.

The sole duty now remaining to be executed is to compare the Stock in hand, as actually taken, with the Stock as appearing in the Stores Ledger. Each item must be entered in that book under its appropriate heading, and the account ruled off as if it were an ordinary Ledger Account. The difference between the two sides will represent the difference between the Stock on paper (as ascertained by adding the opening Stock and all purchases, in the case of raw materials, and deducting from that total all the Stock given out, for the purpose of manufacture or otherwise) and the actual Stock in hand, as ascertained by counting or weighing the commodity in question. This difference should be entered in each case in red ink to show it clearly, and the account will then be ruled off and the Stock in hand will be brought down for the

purpose of showing the amount actually in hand with which to commence the new year.

A full list of the variations should be given to the Manager, setting out in detail which articles are over and which are short, with any explanation opposite each variation. The items which are over will have to be gone into carefully, to ascertain, if it is still possible to do so, the actual Stock on hand for fear of a wrong designation. The invoices for the receipt of such goods should be examined to see that none have been omitted from the Stores Received Book, and the Stores Issued Book must also be carefully checked to see that the full quantity handed out has been accounted for and is duly charged against the proper accounts. Far more usually, however, the stores will be *short*, and will require checking in the same way. Small leakages will frequently occur, and can hardly be guarded against in the ordinary course of events. Take, for example, a chemical which is bought by the quarter, the hundred-weight, or even the ton. This will be served out, as required, probably by the pound, possibly even by the ounce, and a certain leakage will occur here, as the full weight will be necessary in each such issue and it is impossible to weigh to a featherweight. There will thus be a loss arising from the necessity of turning the scale in the numerous weighings. Other classes of goods will possibly suffer loss by evaporation or breakage, though, in this latter case, the broken articles should exist as a voucher for the loss, and they should be thrown away only if there is no residue of value, periodically, and after inspection by the Staff Auditor or some other appointed official. In this case, the destruction should take place in his presence, after he has counted and certified the quantity, to prevent the same breakages being produced again at a later time to account for whole articles which have been lost or stolen.

The cases of legitimate depreciation in this manner will, however, be known to the experienced Manager, who will know what is a reasonable percentage of loss, and, if this is not exceeded, he will pass such difference without comment. If, however, a large discrepancy exists, he must go carefully into the matter: have that portion of Stock checked more frequently, and, if the deficiency of the Stock continues, or if it is general over several distinct classes of goods, the only explanation is either that the Storekeeper is incompetent or is guilty of peculation, or that outside theft is going on.

Watch should be kept to see that it is not the latter, the length and nature of the guard depending upon the circumstances of the case, and, if that does not reveal the cause of the shortness of goods, the only alternative is to obtain a new Storekeeper.

The Stocktaking having been fully completed and the summary prepared, the Manager will usually be required to give the Auditor a certificate to cover the entire Stock, probably in a form similar to the following—

“I hereby certify that the Stock of the above Company has been taken under my directions, that the quantities are correct to the best of my knowledge and belief, that the prices do not exceed cost price or market price, whichever may in each case be lower, and that the stock so taken amounts to £....., as set out in the schedule hereto annexed.

(Signed) A—— B——,
Manager.”

In some concerns, the Stock is re-copied into a book if it is not already in that form. It is, however, better to have the Stock made up in the first instance on specially designed sheets, to enable as many as possible to work at the calculations and additions, and then to bind the sheets up in proper binders similar to (but, of course, not so substantial as) those employed for Loose Leaf Ledgers.

Many firms keep the sheets simply loose in their original form; but it is safer and better to secure them against loss by the simple means suggested above.

CHAPTER XVIII

Balancing Books and Audit—Proper Time for Balancing—Provision for Depreciation and Bad Debts—Reserves and Secret Reserves—Staff Audit and Professional Audit distinguished—Safeguards against Fraud

THE first point for consideration in connection with the Balance Sheet is when it should be prepared. The majority of businesses (other than Banking and Railway Companies) attempt to prepare a Balance Sheet only once a year, and if the trade of any particular firm is at all a "season trade," or if, at any time of the year, their Stock is comparatively low and trade quiet, that period is generally selected for this important piece of work. If, on the other hand, Stock is not subject to any special fluctuations varying with the seasons, it is usual to fix the period for stock-taking at the end of one of the quarters, March 31st, June 30th, September 30th, or December 31st.

The next necessary point is to see that the books balance, which is done by means of a Trial Balance. The Ledger Accounts are all added, and the balance of the two sides of each account is placed upon a sheet containing columns for Ledger Folio, Name of Account, and two money columns to represent the debit and credit balances respectively. If these two columns agree with each other in total, the Balance Sheet proper may be proceeded with, but if, on the other hand, they differ—which is, perhaps, the more usual—it is first necessary to discover the cause of difference.

The principle upon which they should balance is, of course, the theory of double-entry book-keeping, that every debit has entailed a corresponding credit, and, if the Accountant is unable to balance the two totals in any other way, the only course is again to check all additions and postings, and the extraction of the balances. A considerable amount of this work may be saved if it is possible to localize the error to a particular section of the books by any of the methods available for that purpose. Of these methods, the most usual in England is that known as "Self-balancing" Ledgers, which are worked in the following manner: Suppose that it is desired to balance the Sales Ledger entirely separately from the general books. A statement will be prepared showing the entries, debit and credit, which go to make that Ledger. The debit entries will consist of—

- (a) The opening debit balances at the previous balancing period, say January 1st of the year under review :
- (b) All the sales which have been posted to it during the period :
- (c) Any postings made to it from the credit side of the Cash Book, which would include (1) payments made to the customers to meet any over-payment or allowance made to them subsequent to the payment of their account ; (2) any cheques or bills receivable discounted which had been given by them to the firm and had been returned dishonoured, etc. :
- (d) Any other debit postings which appeared in the Ledger in question, which should be obtained by carefully analysing the debit postings of the Journal :
- (e) Any credit balance which may exist through over-payment or allowance at the end of the period.

The credit entries would consist of—

- (1) All cash receipts and discount allowed to customers, which would be entered on the debit side of the Cash Book and be posted thence to the credit side of this Ledger :
- (2) Any returns, allowances, or overcharges made in respect of the sales :
- (3) The amount of Bills Receivable (if any), as per the Bills Receivable Book :
- (4) Any transfer to other Ledgers or other credit postings, such as bad debts written off, etc., which would be obtained by an analysis of the credit postings of the Journal :
- (5) The closing debit balance (i.e. the total of debtors) as extracted from the Ledgers on the list of balances.

If these two sides, as prepared above, then balance, the error in the Trial Balance will certainly not be in the Sales Ledger.

The statement will then appear in the following form—

SALES LEDGER ADJUSTMENT ACCOUNT

19..		£	s.	d.	19..		£	s.	d.
Jan. 1	To Balance at date	4715	6	8	Dec. 31	By Cash & Discount	34081	11	11
Dec. 31	" Sales for year	37801	3	2	" "	" Bills receivable	2046	4	1
" "	" Cheques returned, etc.	37	10	4	" "	" Returns and allowances	317	6	4
" "	" Sundries per Journal	429	1	3	" "	" Sundries per Journal	1422	2	3
" "	" Credit balances at date		7	4	" "	" Balance at date (debit)	5116	4	2
		£42983	8	9			£42983	8	9

If the business is of sufficient size to justify the sub-division of the Sales Ledger into more books than one, each of these may, by a suitable arrangement of the subsidiary books, be balanced with equal ease separately. The most common sub-division of a Ledger under these circumstances is an alphabetical one, and, if three Sales Ledgers were required, they might be respectively called the "A-G Sales Ledger," the "H-O Sales Ledger," and the "P-Z Sales Ledger." They are also sub-divided in other ways, some according to the class of trade, if two or more entirely distinct departments are worked by the same company, each with its own set of customers, and some according to geographical sub-division, such as London, Provinces, Scotch, Irish, European, etc.

In the first case, to balance the "A-G Ledger" separately, the following alterations would be necessary in the forms of the subsidiary books—

The Sales Book would, in addition to the ordinary ruling, have three money columns added for the purpose of analysis, headed respectively "A-G Ledger," "H-O Ledger," and "P-Z Ledger;" or, alternatively, a separate Sales Book would be provided for each ledger, and the total of the special column for each ledger (or the total of the special Day Book, as the case may be) would be carried into that Ledger's Adjustment Account. Another method—greatly to be preferred in many cases, as being more flexible—is to employ the slip system.

Cash items from the credit side would be entered in an analysis column which would be used for all the Sales Ledgers, as these would be few in number and, by means of this column, easily ascertained.

The Journal would be in the ordinary form, and would require to be analysed for the entries in question, or a Special Transfer Journal may be used if the entries are sufficiently numerous.

The opening and closing balances, debit and credit, would, of course, be obtained from the lists extracted.

The figures appearing on the credit side of the statement would be obtained by a similar arrangement for returns to that adopted for the sales. The Bills Receivable and the Journal would require to be analysed, and the Cash Book items would be obtained either by the employment of separate subsidiary Sales Ledger Cash Books, or by a special ruling of the Cash Book, of which the debit side would appear as follows—

CASH BOOK (SPECIAL RULING FOR ANALYSIS)

Date.	Item.	Posting folio.	Disct.	Cash.	Bank.	Total.	Analysis.			
							A-G.	H-O.	P-Z.	Other Ledgers.

(Form No. 50)

By a similar arrangement for the purchases, and for the credit side of the Cash Book, the Purchase Ledger (or Ledgers) may be balanced separately, or at least the error in the general accounts be traced to a specific ledger.

This system of sectional balancing should be regularly applied monthly, in order to discover mistakes at an early date, and to avoid a congestion of work at Stocktaking.

Where it is thus in use continuously, and not merely to find or to localize an error at stocktaking, very frequently, in order to complete the double entry, the figures involved appear in the Journal and are posted to a Sales Ledger Adjustment Account in the "Nominal Ledger" on one side, and to a "Nominal Ledger Adjustment Account" on the other side in the Sales Ledger, the entries being—

£ s. d. £ s. d.

Dec. 31. Sales Ledger Adjustment Account (in the Nominal Ledger)

Dr. £37,801 3 2

To Nominal Ledger Adjustment Account
 . (in Sales Ledger)
 being sales for year
 as per Sales Book..

£37,801 3 2

If this method be adopted, each Ledger should, on the extraction of the balances, show an agreement of the two sides as if it were the only book of the system.

Although, however, the above plan is not infrequently adopted in practice, in order to make each separate Ledger self-balancing, it is essentially unscientific, and renders a clear understanding of the principles involved extremely difficult. The whole basis of the theory of self-balancing Ledgers is that, in each separate Ledger, all those transactions which are recorded *at all* are recorded *by double entry*; but that those transactions which would not be recorded by double entry in that Ledger, if it were not kept upon self-balancing lines, are posted to the Adjustment Account in that Ledger and, therefore, naturally in as summarized a form as possible. This can easily be arranged if each separate Ledger is provided with its own books of first entry, or its own columns in those books. Thus, in the Sold Ledger, postings of Sales would be made in detail to the debit of the Personal Accounts from the Sales Day Book, and in totals to the credit of the Nominal Ledger Adjustment Account therein: in the General Ledger, these same Sales would be recorded monthly totals through the Journal, to the debit of Sold Ledger Adjustment Account, and to the credit of Sales Account. In this way, each Adjustment Account is built up independently, forming somewhat of a check upon each other, and they may frequently be utilized with advantage in that way.

The Continental method of localizing the error is by means of a special extraction of the balances with four columns, showing total postings to debit and credit in addition to the balances—

TRIAL BALANCE (CONTINENTAL SYSTEM)

Fo.	Name.	Debit Postings.	Credit Postings.	Debit Balance.	Credit Balance.
1	A &c.	1,000	950	50	

(Form No. 51)

The system in use in those countries involves the passing of all items through the Journal, and the total postings in such a case should, therefore, agree with the total of the Journal in addition to their mutual agreement. In England, by means of adding the total of the Sales, Purchases and Journal entries, together with the cash totals less the cash balances brought at the periodical balances

of the Cash Book, should give the figure for the total postings, provided that there are no direct transfers from one ledger account to another. In practice, however, this system is not as largely used in England as it might be. It possesses the material advantage of disclosing direct transfers, which should always be regarded as irregular entries.

When the Trial Balance is finally agreed, the next step in the preparation of the Balance Sheet is to enter into the books the necessary closing figures for Stock, Reserves, and Depreciation.

The figure for the Stock will be taken from the Stock Book, which sets out the actual materials, etc., in hand, as already described in Chapter XVII.

The amount to be set aside for Reserves will require to be carefully ascertained under the respective headings involved. The first of these is, in respect of Book Debts, for any Bad Debts which may have occurred during the previous year, or debts which, owing to the financial standing of the debtor, are not expected to realize their full amount. Where, in a case of insolvency, a final dividend has been paid, the balance of the account should already have been written off to "Bad Debts Account"; but, where a final dividend has not yet been paid, it is the more usual practice to reserve a round sum which should approximately cover the estimated loss and leave the personal account open until such dividend has been received.

In some cases, a reserve to provide against loss by way of Bad and Doubtful Debts is built up by charging against Revenue each year a percentage (say $\frac{1}{2}$ per cent or 1 per cent) upon the *Sales* for the period. Assuming that a percentage can be hit upon which will coincide with the average actually experienced over a lengthy period of time, this is perhaps the fairest way of apportioning the loss year by year; but it would be unwise, merely because this system were adopted, to allow the Reserve for Bad Debts to amount at any time to less than the estimated loss that is likely to be sustained, as gauged by an inspection of the Sold Ledger balances.

In undertakings where a certain amount of Bad Debts must be expected in the ordinary course of business, it is desirable to take special steps to supervise the collection of accounts, in order to keep these losses as low as possible. With this object in view, a Doubtful Debts Ledger is sometimes employed, to which all overdue

accounts are transferred—thus bringing them under the attention of a special clerk whose duty it is to attend to overdue accounts (if necessary, by providing the solicitor with the necessary facts to enable him to take proceedings), to attend meetings of insolvent customers, and deal generally with all questions arising in this department. If all doubtful accounts are collected together into one Ledger, the work of this clerk is greatly simplified, and can be more efficiently performed. Moreover, it becomes a far simpler matter to arrive at a reliable estimate of the Reserve necessary to cover expected losses. When Card or Loose-Leaf Ledgers are employed, the bodily transfer of accounts from one ledger to another would be a perfectly simple process physically, but would, in practice, be attended with the greatest confusion. Distinctively coloured tabs can, however, be attached to the cards, or sheets, dealing with the overdue accounts of customers, and by the aid of these tabs the doubtful accounts can be readily referred to at any time, either in detail or collectively. In the event of payment being received, the tab can be removed, and the account then resumes its normal place in the book-keeping system.

The next reserve on book debts is made to provide for any returns, claims or allowances only received, or admitted, after the books relating to the year under review were closed. A full and sufficient *estimate for all items of this nature will, of course, be required.*

The treatment of Cash Discount varies according to the trade. Where a fixed rate of discount is allowed on all accounts, the usual method is simply to deduct that percentage from the net debtors, that is, after deduction, from the total figure, of the reserve made for Bad Debts, Returns, and Allowances, as discount, of course, will not be allowed on these. Where, however, the practice of the trade gives different terms to different customers, or classes of customers, the list of debtors as extracted from the ledger will require to be marked with the discount each is entitled to claim, and the actual figure to be reserved will be ascertained from this total. To enable this to be done readily, the lists of debtors should be extracted in columnar form.

The treatment of the Personal Credit balances will be similar, so far as the Discounts and Allowances are concerned, though, of course, no question of bad debts arises on this side of the Balance Sheet. When speaking of Discount for this purpose, only the

ordinary Cash Discount is, of course, referred to—that is to say, the $2\frac{1}{2}$ per cent, 3 per cent, 5 per cent, etc., allowed for the prompt payment of cash. The trade discount which is allowed in many trades off a standard Price List amounts, in some cases, to as much as 85 per cent, and must in every case be deducted from the actual sales and purchases at the time they are entered in the Day books, only the net figure being entered in the final column and posted to the Ledger, which, therefore, shows only the net figure, subject to cash discount, if any.

The Nominal Accounts must then be carefully scrutinized, and in the event of any items having been paid in advance, the due proportion for the period not yet expired will form a Reserve for the benefit of the period under review. Items of this nature will include Rates, which are usually levied and are payable when about one quarter of the period has expired ; Telephone Rent, and Insurances of all kinds, which are invariably charged for each year in advance ; Rent, which is occasionally (but not usually) paid in advance ; and, sometimes, Commission, where the person entitled to it is well known to the firm and is allowed to receive what is due to him, or a part of it, on handing in the order and when the sale has not, as yet, gone through the books.

All Nominal Accounts of every nature must then be carefully examined for any item which will be due from the firm for the period under review, but for which no invoice has yet been received, Rates, sometimes, and Rent, usually, will come under this heading, and a charge must be made against the period to cover any portion not yet charged. “Wages” is almost invariably the subject of a reserve for the odd days elapsing from the date at which wages were last made up to the day of balancing, and the actual amount payable for the work done between those two dates or else a proportionate part of the next week’s wages will be taken as a liability. Frequently, where the accounts are closed promptly, the Railway Carriage account for the last month is not received in time to be incorporated, and a fair figure must be reserved under this heading. Many small tradesmen, such as Farriers, Ironmongers, etc., only send in accounts each quarter, and care must be taken to see that these items are included. If they are not already in the books, it will be necessary to ascertain or estimate the amount, and provide accordingly. In fact, strict inquiry must be made in *all* directions

to ensure that every item which is properly chargeable against the accounts is duly debited to them, either through the Purchase Book or Journal in the ordinary way, or by way of Reserve. At this stage, it will also be convenient to see, by means of comparison between the Goods Received Book and the Purchase Book, that invoices have been duly received and charged through for all goods which have been taken into stock.

The method of entering these Reserves in the books is to debit the nominal account involved (Rent, Wages, Carriage, etc.) and to credit a "Suspense Account" for all items which have accrued but are not yet charged out. The total of these amounts will increase the liabilities as per the Balance Sheet, and also increase the debit to Profit and Loss Account under the headings of their respective Nominal Accounts. Items paid in advance will be treated on exactly the same principle, but on the opposite sides of the accounts, that is, Suspense Account will be debited, and Rates, Insurance, etc., credited with the amounts reserved, and the total will appear as an asset in the Balance Sheet and will go to reduce the charge under these several headings in Profit and Loss Account. With regard to the reserve for Discounts and Allowances, the figures in question are deducted from the amounts of Debtors and Creditors in the Balance Sheet, instead of appearing as a liability and asset respectively.

The question of Depreciation next arises and is usually dealt with by one of four methods—

- (a) To write an agreed percentage off the original cost of the Asset each year;
- (b) To add to the Asset any item spent upon it other than ordinary repairs and renewals during the year, and to write off the agreed percentage, bringing down the balance to the next year's account, and in following years to add expenditure, as before, and write the agreed percentage off the account as it then stands. (This is known as depreciation written off the diminishing value);
- (c) To raise what is commonly called a "Sinking Fund" by debiting Profit and Loss Account, and setting aside and investing outside the business each year a sum which will, at the expected date of the expiration of the Asset, amount to its original value;

- (d) To deal with Depreciation on the Annuity System, by charging the Asset and crediting Revenue with interest on the balance of the account, and writing off each year a sufficient (equal) amount to reduce the Asset to the required figure at the end of a desired period.

There is also the method of re-valuing the Assets periodically and charging the loss on re-valuation to Revenue as Depreciation ; but owing to the expense and also to the question of market fluctuations, which a valuer would take into account for purposes of his valuation (but which do not, of course, affect the loss by " wear and tear " of the machinery), this method is scarcely ever adopted except for Assets of the nature of loose tools, etc.

The necessity for Depreciation must be obvious, in that any article consumed in the process of manufacture must be treated as part of the cost of the articles manufactured during its working life. This applies no more to articles consumed or worn out in a few months, or hours, than to articles whose working life extends over a considerable period of time ; but, whereas in the former case the cost of the article is at once treated as a charge against Revenue, and, therefore, correctly dealt with in the accounts of the current period, in the latter case it would be unfair to charge Revenue with the whole of the cost of Assets which at the end of the current financial period possess a residual value, frequently representing a very large percentage of that original cost. Such expenditure is therefore " capitalized " ; but it should be borne in mind that it can only be capitalized temporarily, and that eventually it will require to be renewed, in which event (if not before) a charge *must* fall upon Revenue. The object of providing for Depreciation is to avoid the expense of heavy renewals falling against the profits of any one period ; rather it aims at equitably apportioning that cost over the whole of the period during which the Asset has been utilised. The problem of Depreciation may be looked at from yet another point of view, which perhaps will tend to make its necessity as a Revenue charge even clearer. Any Asset which, in the ordinary course of events, is subject to Depreciation might be hired ; and, were it to be hired, the cost of the hire would obviously be a Revenue charge. If, however, the Asset is purchased, instead of being hired, what is saved is not the whole of the cost of hire, but the profit that would otherwise have been made by the person from whom

the Asset was so hired—that is to say, the difference between the cost of hire and the expenses incurred by that person. By acquiring Assets for itself, instead of hiring for all purposes, the business is virtually opening up a new department, the income of which represents the amount hitherto paid for hire (thus making this item drop out upon both sides of the Revenue Account), while the expenses that will remain to be met will be the expenses formerly incurred by the person letting out Assets for hire.

No true Cost Accounts can possibly be prepared which omit to make proper charges for Depreciation, and for this—if for no other—reason it is necessary that Depreciation should also be dealt with in the Financial Accounts, that the results shown by both may be consistent.

From the Balance-Sheet point of view, also, it is obvious that unless provision is made for the loss of value arising from wear and tear, from the lapse of time, or from obsolescence, the value of the Asset will be overstated, and the financial stability of the undertaking accordingly exaggerated.

The method of providing for Depreciation and the rate of provision should, in the first instance, be decided by the practical and the financial authorities of the concern in consultation, and will depend upon the nature of the Asset, its probable “ life ” and its residue of value after it has ceased to be of use to the Company.

The first method is frequently adopted for Buildings, Patents, and Short Leases, where the additions and repairs are few in comparison to the value of the Asset, and the residue of value is either small or even nothing. The second method is more frequently used for fixed Assets other than the above, Leases and Loose Tools, and would include Engines, Boilers, Plant, Machinery, Fittings, Fixtures, Shafting, etc. This class of Asset is liable to continual addition and repairs, and, in deciding which of these two methods to adopt, it is well to remember that the second method falls more heavily upon the earlier years, when repairs will be fewer and smaller, and also that this method invariably leaves a residue of value.

The table on the following page shows the difference arising from the depreciation of an asset valued at £100 at the rate of $7\frac{1}{2}$ per cent under the first method and 10 per cent under the second—

	Depreciation at $7\frac{1}{2}$ % on original value.		Depreciation at 10 % on diminishing value.	
	Depreciation for year.	Balance standing at end of year.	Depreciation for year.	Balance standing at end of year.
1st year	7 10 0	92 10 0	10 0 0	90 0 0
2nd	7 10 0	85 0 0	9 0 0	81 0 0
3rd	7 10 0	77 10 0	8 2 0	72 18 0
4th	7 10 0	70 0 0	7 5 10	65 12 2
5th	7 10 0	62 10 0	6 11 2	59 1 0
6th	7 10 0	55 0 0	5 18 1	53 2 11
7th	7 10 0	47 10 0	5 6 3	47 16 8
8th	7 10 0	40 0 0	4 15 8	43 1 0
9th	7 10 0	32 10 0	4 6 1	38 14 11
10th	7 10 0	25 0 0	3 17 6	34 17 5

From this table it will be seen that, after the third year, 10 per cent on the diminishing value is less severe than $7\frac{1}{2}$ per cent on the original amount, and that to reduce an Asset to the same amount in 10 years, 10 per cent on diminishing value is equal to $6\frac{1}{2}$ per cent on the original cost.

The third or Sinking Fund method is used generally in the case of longer leases, and should be applied not only to the lease itself but to any buildings, fixtures, plant, etc., which will pass to the freeholder at the termination of the lease and which will not be worn out before the lease expires. Interest will be added to the balance outstanding annually, and the Sinking Fund should be sufficient to extinguish the Assets at the termination of the lease. It must be remembered that, on the occurrence of that event, the freeholder has generally a claim for dilapidations, which may be provided for either by an addition to the amount charged annually to Sinking Fund, or by treating the lease as expiring 12 or 18 months before the actual date. The amount so transferred annually to the Sinking Fund should be invested outside the business in first-class securities, to provide a sufficient sum, without disturbing the working capital of the business, when the lease or other Asset requires renewal. The amount written off under the other method may, of course, be treated in this way and, indeed, should be so treated, if a large sum is likely to be required at one time.

The Annuity Method causes heavier charges to fall upon Revenue in later years, because, although the direct charge for Depreciation is constant, the amount credited to Revenue (as representing Interest

upon the diminishing value of the Asset from year to year) is naturally a constantly diminishing quantity, so that, upon balance, the net charge against Revenue steadily increases. This has been thought by some to be an objection, and from one point of view it may be so regarded, inasmuch as it is certainly prudent to get a substantial amount written off an Asset while it is new, and therefore presumably at its highest stage of working efficiency. At the same time, the Annuity system is valuable in the case of quite long-lived Assets, or of Assets of considerable value where no Sinking Fund is provided for their renewal, as it equitably apportions the charge over the several years of the Assets' life without ignoring the factor of interest, which, under the circumstances named, may easily assume a considerable importance. Thus, in the case of a Lease, it is notorious that the Depreciation of a 99 years' Lease during the first ten years is practically *nil*, but that, with each succeeding year after (say) the first thirty, the annual Depreciation becomes greater. Any valuer will confirm this statement, which must, indeed, be obvious to anyone who takes the trouble to consider the effect of compound interest over an extended period. With regard to especially valuable, but short-lived, Assets, the Annuity System is occasionally useful, as affording some assistance towards the solution of a question of considerable practical importance, namely, as to which is really the more economical—a well-constructed article costing a considerable sum, but having a long working life: or a less substantially constructed article of a shorter working life, but considerably less costly. Such a question as this cannot, in the nature of things, be accurately solved, if the important subject of interest is altogether ignored.

It is, as a rule, desirable that the actual calculation of annual Depreciation charges should be left to the Professional Auditors, the principles having first been settled by the Directors, the Manager, the Accountant, and the Auditors in consultation.

According to the legal decisions given in various cases brought before the Courts in Company matters, there is no necessity to depreciate Goodwill in the books of a business. It is not usual to charge depreciation against Freehold Land, nor, indeed, is there any necessity legally to provide for it, even in the case of a lease, where the Company is formed solely to work that lease. In this latter case, however, it is very doubtful finance, and it is only

fair to the shareholders to let them know that their dividends (so called) really include part of their capital, as, on the expiration of the lease, their property or most of it will have expired or become valueless.

The actual rates charged under these various schemes will depend, as stated before, on the prospect of the probable existence of the Asset and the chance of its obsolescence, and, in estimating this in the case of machinery, the likelihood of running at high pressure or excessive speed must be taken into account.

With regard to Loose Tools and Horses, as mentioned, a re-valuation is frequently adopted, but, if this is found to entail too much work each year, a liberal rate of depreciation should be allowed, and a re-valuation of both of these Assets should take place at least once in five years, the amount appearing in the books being readjusted.

In all the above remarks, it is assumed that all repairs are charged against Revenue for the year in which the expense was incurred.

The usual method of dealing with Depreciation is to debit the Profit and Loss Account and credit the Asset in question with the amount to be written off.

In a Limited Company, when the Profit and Loss Account has been completed, a suggestion is very frequently made, if the year has been successful, to raise a Secret Reserve Fund : that is, profits are not fully and truly disclosed to the shareholders, but a smaller figure is stated as being the profit for the year, and the so-called Secret Reserve remains in the business in the shape of undisclosed or deliberately undervalued Assets. The professed reason for this is to put the business on a sounder financial basis, as it is considered human nature on the part of the shareholders to wish to obtain as much as possible out of the Company, and the practice is so well known in the case of banks and other financial institutions as not to require any defence at the present time. The usual method employed by Companies of this description is to undervalue (or, in some cases, even omit) the premises and fixtures they own, to value Consols at a price much below market price (though, in this case, if the valuation frequently appears on the Balance Sheet, it is scarcely a *secret* reserve) or to make an over-estimate for possible depreciation of other investments or bad debts.

With regard to Trading or Manufacturing concerns, the practice

is not universal, and is open to certain objections, of which the most important are perhaps (1) that if, in a series of good years, a large Secret Reserve has been built up, it is possible, by gradually reducing this item, to conceal for a long time faulty management which may actually be running the business at a loss, whilst an apparent profit may still be shown owing to the manipulation of this figure; (2) that this process of continuing to pay dividends in excess of profits may be continued after the Secret Reserve has been exhausted; and (3) it has yet to be decided whether the whole practice is not *ultra vires*.

The simplest methods of raising a Secret Reserve in a Manufacturing Company are (1) by over-depreciating machinery and other fixed assets; (2) by setting aside a larger sum than is necessary to meet Bad Debts; and (3) by undervaluing the Stock. The first of these methods is the least objectionable from the point of view of the ease or otherwise of "juggling" with the figures, whilst the third is the most objectionable from that standpoint. Upon the whole, perhaps the fairest way, subject to a small reasonable Secret Reserve for contingencies, is to provide by the Articles of Association "That no higher rate of dividend shall be paid than is recommended by the Directors," and to trust them to build up a (disclosed) Reserve Fund sufficient to put the Company on a sound and satisfactory financial basis.

Having now ascertained and entered in the books all items affecting the Profit and Loss Account, the next step is to close the Ledger Accounts properly. The Personal Accounts will be closed by entering as a balance the difference between the two sides, then adding and ruling off each side of the Ledger and bringing down the balance on its proper side, viz. the opposite side to that on which it was previously entered. The Real Accounts (that is, those representing property, such as Machinery, Plant, etc.) will be closed in the same way, and the balances brought down. The Nominal Accounts which represent only cost, expenses, and profits will be closed by transferring the balance to the Profit and Loss Account and ruling them off.

The Depreciation written off the fixed Assets will also appear in the Profit and Loss Account, and the figure of Stock will appear as described in the previous chapter.

The accounts still remaining in the Ledgers will then be grouped

under convenient headings and entered, together with the balance of the Profit and Loss Account, in the Balance Sheet.

All that now remains is for the statements which have been prepared to be laid before the Directors or the Proprietors, in as full and complete a form as possible and one calculated to show them at a glance the actual position of the concern financially, and the results of the past year's trading, profits, and expenses.

As before mentioned, the " Profit and Loss Account " is usually divided into what are generally called the Trading Account and the Profit and Loss Account proper. A difference of opinion exists as to how the expenses should be divided in these two accounts, one set of authorities holding the view that *all* expenses of manufacturing should go into the first section. Following this view, as apparently the more theoretically correct, on the credit side of the Trading Account would appear Sales *less* the opening Stock of Manufactured Goods *plus* the closing Stock of Manufactured Goods. This is the best way of stating Sales, as it gives the production of the Works as the basis for percentages. On the debit side of the Trading Account will appear Wages, Raw Material, Coal and Motive Power, Carriage Inwards, Salary of Works Manager, Rent, Rates and Insurance of Works (as distinguished from Warehouse and Office), Depreciation, Repairs, etc. Under this system, the second section, or Profit and Loss Account in its more limited application, should contain on the credit side the balance of gross profit as brought down from the previous statement, Cash Discount receivable, Interest, Rents Receivable (if any), and other sources of profit. The debit side should consist of all expenses not included in the previous section, including all costs of warehousing, and selling, clerical and financial charges, Directors' Fees, Manager's salary, etc.

The other set of authorities include in their first section only such costs of manufacture as vary directly with the production, which would, of course, exclude Works Salaries, Rent and Rates, Repairs and Depreciation, on the ground that these are fixed charges and more useful percentages may be obtained without these items. The excluded figures are treated in the second section under this system. This plan is useful for a small concern, where no Cost Accounts are kept, but hardly for ordinary manufacturing businesses.

Where more than one Department exists, separate Trading Accounts may be prepared for each, the balance of each appearing

to the credit of the Profit and Loss Account, and the debits appearing as before.

The form for submission to the Directors will then appear as follows —

TRADING ACCOUNT

Dr.		FOR THE YEAR ENDING DECEMBER 31ST, 19				Cr.	
19 Dec. 31		£	%	19.. Dec. 31		£	%
	To Materials	11,875	47'53		By Sales	26,500	
	" Wages	4,500	18'01		Less Re- turns	940	
	" Coal and Motive Power	650	2'60			25,560	
	" Rates and Taxes (Works)	150	'60		Less Stock at Jan. 1st, 19..	8,750	
	" Repairs	203	'81			16,810	
	" Depreciation : Machinery,	688			Add Stock at Dec. 31st, 19..	8,175	
	Loose Tools	65				24,985	100 00
	Buildings (Works)	140					
	" Balance being Gross Profit	893	3'58				
		6,714	26'87				
		£24,985	100'00			£24,985	100'00

PROFIT AND LOSS ACCOUNT

Dr.		FOR THE YEAR ENDING DECEMBER 31ST, 19				Cr.	
19 Dec. 31		£	%	19 Dec. 31		£	
	To Salaries	1,130	4'52		By Balance, Gross Profit brought down	6,714	
	" Discount allowed	663	2'65		" Discount received	293	
	" Rates and Taxes (Office and Warehouse)	130	'52				
	" Office Expenses, Stationery, etc.	205	'82				
	" Travelling Ex- penses	270	1'03				
	" General Expenses	195	'78				
	" Bad Debts	425	1'70				
	" Directors and Auditors	670	2'68				
	" Debenture Interest	400	1'61				
	" Depreciation of Buildings, Office and Furniture	60	'24				
	" Depreciation of Fixtures	30	'12				
	" Balance, being net profit for the year	2,834	11'34				
		£7,012	28'06			£7,012	

(Form No. 52.)

Columns are also sometimes added to show the figures and percentages for the previous period.

BALANCE SHEET, DEC. 31ST, 19..

*Liabilities.**Assets.*

	£	£		£	£
Capital, 35,000 shares of £1 each		35,000	Land and Buildings per last Account	17,500	
Debentures		10,000	Less Depreciation of Buildings	200	17,300
Creditors:					
Trade Account	2,070		Machinery and Plant per last Account	13,115	
Less Reserve for Discounts	52		Additions during year	635	
	2,018			13,750	
Add reserve for items accruing	60	2,078	Less Depreciation at 5 %	688	13,062
Profit and Loss Acct., Balance per last account	753		Loose Tools per last account	440	
Add profit for year	2,831	3,587	Additions during year	60	
				500	
			Less Depreciation at 12½ %	63	437
			Fixtures per last account	600	
			Less Depreciation at 5 %	30	570
			Stock as taken and valued by Mr. Blank		9,047
			Sundry Debtors	3,400	
			Less Reserve for Bad Debt	200	
				3,200	
			Less Reserve for Discount at 2½ %	80	
				3,120	
			Add Reserve paid in advance	15	
					3,135
			District Banking Co., Ltd.		7,114
		£50,665			£50,665

(Form No. 53)

It will be noticed that the Stock in the Trading Account and the Stock in the Balance Sheet do not agree. The difference arises as explained in the previous chapter, owing to the former figure being the stock of manufactured goods only and the latter the entire stock in hand—including, in addition, Raw Material, Stores, Stationery (if valued), necessary stock of repairing materials, etc.

It will also be noticed in the above Balance Sheet that the assets are set out as nearly as possible in the form required by "Table A," and that every item is set out in full detail for the purpose of submitting it to the Board of Directors. The Shareholders, however, usually receive a very much abbreviated statement, as the falling into the hands of a trade competitor of such particulars as the above might prove very prejudicial to the Company. In the case of a Limited Company of any size, it is an absolute impossibility to prevent the published accounts from becoming public property—

so much so, in fact, that many Companies make a practice nowadays of themselves sending their accounts to the Press.

The Statement of the above Company as rendered to their shareholders might very possibly contain only such particulars as appear below—

BALANCE SHEET, DEC. 31ST, 19..

<i>Liabilities.</i>			<i>Assets.</i>	
	£	£		£
Nominal Capital, 50,000 shares of £1 each		£50,000	Land and Buildings	17,300
Capital Issued and Called up 35,000 shares of £1 each		35,000	Machinery and Plant	13,052
First Mortgage Debentures 4 % Redeemable 19..		10,000	Loose Tools	437
Sundry Creditors		2,078	Fixtures	570
Profit and Loss Account, per last Account	753		Stock	9,047
Add profit for year	2,834		Sundry Debtors	3,135
		3,587	District Banking Co., Ltd.	7,114
		£50,665		£50,665

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DEC. 31ST, 19..

<i>Dr.</i>			<i>Cr.</i>		
		£			£
19..			19..		
Dec. 31	To Depreciation	983	Dec. 31	By Balance forward	753
	„ Debenture Interest	400	19..		
	„ Directors' and Auditors' Fees	670	Dec. 31	„ Net Balance for Year as per Detailed Profit and Loss Account	5,512
	„ Bad Debts	425			
	„ Income Tax	200			
	„ Balance available for distribution	3,587			
		£6,265			£6,265

PROPOSED APPROPRIATION OF PROFIT.

	£
Dividend of 5% per annum, free of tax	1,750
Transfer to form a Reserve Fund ..	1,000
Balance carried forward	837
	£3,587

(Form No. 54.)

The accounts being now finally completed and approved by the Board are ready for the Auditors, although, in practice, these officials will possibly have already done a considerable portion of their work for the year.

In the case of Limited Companies, the employment of Auditors was first made compulsory by the Act of 1900, although, long before that date, all Companies were in the habit of having their

accounts audited, and their position was almost as strongly defined in the Articles of Association of the Companies registered prior to 1901 as it is in the Act referred to. Auditors have at law (*vide* Companies (Consolidation) Act, 1908) a right of access to the books of the Company at all reasonable times. They are appointed by the Company, in general meeting, to act until the next general meeting, and are eligible for re-election, which, as a matter of fact, is almost universally accorded. If it is desired to propose for election by a general meeting as Auditor some person other than the retiring Auditor, due notice must be given to the Company not less than fourteen days before the general meeting is held.

Prior to their entering upon their final examination of the accounts, the Profit and Loss Account and Balance Sheet should be completed and a copy handed to them. All accounts should be duly ruled off and everything entered in ink, and the Manager should ascertain whether they propose to come and check the cash in hand on the last day of the year. If not, the Manager should instruct the Cashier to pay all the money he may have into the bank as a proof that it is actually available in cash, which fact can then be verified by the Auditor even if he does not arrive at the Works for some days. It should be seen that all vouchers are arranged in numerical order to correspond with the books; that a full statement of the Reserves is ready and drawn up in such a manner as to enable him readily to check the same; that the Stock sheets are completed and signed by all responsible for the sections or subsidiary parts of the same; that the Bank Pass Book is entered up and reconciled with the Cash Book, and, in fact, that anything he may require is ready to hand if and when he should ask for it.

The Manager must, on the other hand, distinguish carefully between the staff and the professional audits. The former is directed and controlled by himself, probably on lines defined by himself, with the advice of the professional Auditor, and irregularities which may be discovered from time to time will be reported to and must be rectified by him, whereas the professional Auditor is appointed by the Shareholders and has an entirely distinct authority, and, further, is as much entitled to information, even from the Manager himself, as the Staff Auditors are to explanations from the Cashier. The professional Auditor is the only safeguard and check which the Shareholders have upon the Directors and Manager, and

he serves them directly in a critical capacity in the same way as the Directors do in an executive capacity.

From this, the Manager must not in any way assume that the interests of an Auditor and his own clash, for the Auditor is almost invariably an officer whose desire will be to work cordially with the executive, and who will probably be an experienced and useful ally, especially in everything connected with figures, with their important bearing on the modern business in the direction of the Costing, Statistical, and Financial Departments.

It will be noticed that the latter part of this chapter refers almost entirely to businesses conducted as a Limited Company. It has been presented in this form because, except in connection with the small items of the published accounts and the method of appointment of the Auditor, the lines indicated will apply equally to a privately owned undertaking, save that a sole proprietor has naturally the right to settle everything on his own plan and on his undivided responsibility, and may dispense with, or reduce, the scope of the audit if he should think fit.

The Companies Act, 1913, came into force on the 15th August, 1913. This measure applies only to private companies, and is intended to remove the more obvious defects of the 1908 Act. Section 1 (1) provides that where a private company has made default in complying with any of the provisions of Section 121 of the 1908 Act, as now amended, it *ipso facto* ceases to be entitled to the provisions and exemptions conferred on private companies; but that the Court, on being satisfied that the failure to comply with such conditions was accidental, or due to inadvertence or to other causes, or on other grounds that it is equitable to grant relief, may, on the application of the company, or of any other person interested, and on such terms and conditions as it may think expedient, order that the company may be relieved from the consequences. Section 1 (2) provides that, in determining the number of members of a private company (which must never exceed fifty), present and past employees of the company are to be excluded. Section 1 (3) provides that with each annual return of a private company shall be forwarded a certificate, signed by a director or the secretary, to the effect that the company has not since the date of the last return (or, in the case of a first return, since the date of the incorporation of the company), issued any invitation to the

public to subscribe for any shares or debentures of the company ; and, where the list of members discloses the fact that the number exceeds fifty, also a certificate, similarly signed, that such excess consists wholly of persons who, under the preceding sub-section, are to be excluded in reckoning the number of fifty. Some little difficulty arises in construing the last-named sub-section. At any date prior to the 15th August, 1913, there was nothing to prevent a private company, having once been registered as such, from issuing an invitation to the public to subscribe for shares or debentures. Accordingly, it may well be that for some little time after the 15th August, 1913, certain private companies may find themselves unable to give a certificate in the form laid down in Section 1 (3), in which event they will cease to be private companies, unless the Court grants relief. The difficulty arises in that thus, by implication, the Act of 1913 is made in part at least retrospective ; whereas it is unusual for an Act of Parliament to be retrospective by implication only. It is submitted that, however unusual this may be, the above in fact is the proper construction of the Companies Act, 1913. If a company, registered as a private company, for any reason ceases to be a private company, from that time onwards it must comply with the statutory provisions as regards public companies ; and the company and its officers will be liable to all penalties provided for failure to comply with those provisions.

CHAPTER XIX

Company Work and Returns—Special Procedure in connection with Joint Stock Companies—Issue of Capital—Statutory Returns, etc.

NEEDLESS to say, the first point to be considered in connection with a Limited Company is its construction and formation.

A Company, as it exists at present, is almost invariably one formed under the Companies Acts, which are now embodied in the Companies Acts, 1908 to 1917,¹ and is limited by shares. This chapter will, therefore, be exclusively devoted to Companies of this class.

The associations falling under this heading may be divided for the present purpose into two classes—Public Companies and Private Companies. The former class covers most of the larger Companies and many of the smaller, and may be defined as that type of Company which issues a prospectus to the general public inviting them to become shareholders and, therefore, part proprietors of the concern. The latter class consists of those Companies which are formed by private individuals and their relatives, immediate friends or confidential servants, in order to obtain the advantages of incorporation; such Companies are forbidden to invite the public to subscribe for their shares or debentures, are required to restrict the transfer of their shares, and to limit the number of members (exclusive of employees and former employees) to fifty.

The advantages which the transformation of an individually owned business into a private Limited Company offer are many, of which—apart altogether from the very important one of limiting the owner's or any partner's personal liabilities—the following may be enumerated—

- (a) The right to sue or be sued in the Corporate name;
- (b) Continuity of existence and non-withdrawal of capital;
- (c) Simple division of profits where many parties are interested, and an easier adjustment of the same;

¹ Considerable amendments in Company law have been enacted by the Companies Act, 1928, but these do not affect the subject-matter of this book. The Act is to come into force on an "appointed day" not yet fixed (leaving that one section forbidding the "house-to-house" offering of shares becomes law at once). The Government has promised to consolidate the whole law of companies before the "appointed day" arrives, and, therefore, the Act *per se* will never be operative.

(d) Safeguards to a certain extent against certain frauds, or against mismanagement by partners.

The simplicity of clause (a) is palpable to all, but the other clauses may require a little explanation.

Clause (b) implies that a man who has once paid his money into the concern cannot withdraw it ; if he desires to do so, he may sell his shares (subject to any restrictions in the Articles of Association), but he cannot withdraw the money from the operations of the business. In the case of partnerships, for instance, the death of a partner *ipso facto* dissolves a firm, except in cases where, by the Articles of Partnership, the continuing partners must remain as usual ; but, even then, the deceased partner's share must be paid out in a comparatively short time, and this may easily hamper a business severely for years.

Clause (c) enables a firm who may desire to increase the share of a junior partner to do so by the simple expedient of transferring to him a few shares, or exchanging some of his preference shares for ordinary shares held by other partners, or by allotting to him additional shares for cash. It also enables a proprietor to leave or give his daughters shares in the business, the sons continuing to manage it as before, whilst a partnership under such arrangements would almost certainly lead to friction and the business probably fall entirely into the hands of the sons.

Clause (d) gives safeguards in the following directions—the powers of the Directors may be limited by the Articles of Association, and, since these are registered at Somerset House and are open to the inspection of all, everyone is presumed to be aware of their terms ; so that, if a Director exceeded his power, an outsider could not, in the ordinary cases, make the Company liable. On the other hand, in a partnership, even if one partner's powers were limited by the deed of partnership, any other partner seeking to protect the firm from an action caused through his partner exceeding his power would have to prove that the third party was aware of this limitation, if the act which caused the trouble was within the apparent scope of the partnership business.

Having decided to turn a business into a Limited Company, the first step is to draw up the necessary forms and documents to enable the Registrar to grant a Certificate of Incorporation. Of course, under no circumstances should the registration of a Com₁ 21

attempted without proper legal and other expert advice, but the general procedure may perhaps be outlined here with advantage. The first of these documents is the Memorandum of Association, which usually contains five clauses, viz.—

- (1) The name of the Company ;
- (2) Statement as to which part of the United Kingdom the registered office is to be situated in (England, Scotland, or Ireland) ;
- (3) The objects of the Company ;
- (4) A statement that the liability of the members is limited ;
- (5) Particulars of the capital, stating the total amount, the number of shares, amount of each share and generally the different classes of shares into which the capital is to be sub-divided.

With regard to Clause 1, the name of the Company: this must be submitted to the Registrar of Joint Stock Companies for his approval, which is usually given if no Company already registered has appropriated the title, or one so similar as to lead to possible confusion.

Clauses 2 and 4 call for no comment.

Clause 3 is of supreme importance, as no act can be done or business transacted by the Company which is not provided for in this clause. Its drafting should, of course, be left in the solicitor's hands, as in the event of the Company's powers being exceeded, any single member would be in a position to cause a considerable amount of trouble and expense to the Company.

Clause 5, dealing with the capital, must also be carefully prepared, but is covered by the description of the rights of the different classes of shareholders referred to later in this chapter.

The next point for consideration is whether or not to have special Articles of Association. This document, when one is drawn up, is bound up with the Memorandum of Association. On this latter document, the Certificate of Incorporation is granted, and it also settles the constitution of the Company, and is both a practical and legal necessity to every Company. But special Articles (which regulate all internal and some external questions of management, etc.) are optional, because a *pro forma* set of Articles (known as "Table A") is appended to the Companies (Consolidation) Act, 1908, which comprises the Regulations of every Company, excepting

in so far as they are varied or excluded by the special Articles (if any) of each individual Company. In practice almost every Company must have "special" Articles of Association, but small Companies may save expense by adopting "Table A" in part.

The Memorandum of Association must then be signed by seven¹ subscribers, who undertake to subscribe for the number of shares set out opposite their names, which number shall be not less than one share each, and no Certificate of Incorporation will be granted to any Company which has not the prescribed minimum number of members, nor must the number of the shareholders at any time fall below the statutory number, otherwise the members aware of it lose their right to limited liability and the Company may be wound up. The Articles of Association also are signed by the same subscribers, and these documents, together with the signatures of persons willing to serve as Directors, and an application in the official form, from the Secretary or one of the Directors, for a Certificate of Incorporation, together with the fees payable (which vary with the amount of the capital) must be deposited at Somerset House.

It is also usual to send, with these papers, a notice of the Registered Office of the Company which, in this case, must consist of the full postal address, and it may here be noted that any change of such Registered Office must be forthwith reported, together with a five shilling fee, to the Registrar of Joint Stock Companies.

On these documents, when in order, the Certificate of Incorporation will be granted, and the Company may (in the case of a private Company) start trading at once.

By the Companies (Consolidation) Act, 1908, a prospectus must contain, *inter alia*, the following particulars—

The contents of the Memorandum, with the names, etc., of the signatories ;

Names and addresses of Directors, and particulars of their qualification and remuneration, as set out in the Articles ;

Minimum subscription on which the Directors may proceed to allotment, and the amount payable on application and allotment of each share ; and in the case of a second or subsequent offer of shares, particulars of each previous allotment made within two years ;

Amount of Shares and Debentures issued or agreed to be

¹ Two are sufficient in the case of a "private" company.

- issued for other than cash consideration within the two preceding years ;
- Names and addresses of Vendors and amount payable as purchase money (goodwill being stated separately) ;
- Particulars of the interest of every Director or proposed Director in the sale ;
- Remuneration of the Promoter ;
- Voting rights of different classes of shares.
- Statement of underwriting commission authorised ;
- Estimates of Preliminary Expenses ;
- Details of all material contracts ; and
- Names and Addresses of Auditors (if any).

The prospectus will be prepared by the solicitor, and approved by the Promoter and Directors, and must, before its public issue, be filed with the Registrar of Joint Stock Companies. When no prospectus is issued by a public Company, a statement in lieu thereof in the prescribed form must be filed with the Registrar of Joint Stock Companies.

Unless and until the minimum subscription has been allotted to various applicants, and a deposit of at least 5 per cent has been received thereon, a Public Company cannot commence business or exercise any of its borrowing powers. By the expression " minimum subscription " is meant that there shall be actually allotted the number of shares stated in the prospectus as being the lowest number applied for on which the Directors will make any allotment at all ; and, if no such number is stated, then the whole issue must be taken up. This clause was passed to prevent a Company commencing business with inadequate capital, which is a frequent cause of loss and insolvency. A notice in the official form stating that shares equal to the minimum subscription have been allotted must be filed with the Registrar, who will then issue his certificate authorizing the Company to commence business, provided everything is in order.

An important point to be decided before the issue of the prospectus—indeed before the Memorandum is completed—is the form and division of the capital of the Company. This may consist of one class of shares only, all ranking equally, or it may be divided into Ordinary and Preference shares, and occasionally Founders' shares—which latter, however, are not now usually found in Companies

whose financial operations are conducted on the best lines. The respective rights of the holders of these shares are usually set out in the Memorandum, and always in the Articles of Association, and will vary in each case. The mere name given to a class of shares is practically no indication of the rights enjoyed by its holders.

The general lines followed are for the Preference Shareholders to have a certain fixed dividend out of the profits (before the ordinary shareholders are entitled to receive anything) and to receive no further share in the profits of the Company. For instance, if the former class are "Six per cent Preference shares," the holders of such shares will be entitled to receive six per cent on their holding (less income tax) out of the profits divided in each year, and the entire balance will go to the ordinary shareholders. Preference shares are usually "cumulative," i.e. if the profits of any one year are insufficient to pay the full dividend on such shares, then no dividend can be thereafter paid on the ordinary shares until all arrears of preference dividend have been paid, in addition to the six per cent for the current year. In the absence of express stipulation, all preference shares are cumulative.

The rights of the holders of founders' shares (as, in fact, all other shares) are defined in the regulations of the Company, and usually take the form of, say, one-fourth of all profits after ten per cent has been paid to the ordinary shareholders. Founders' shares are not usually created, as most ordinary shareholders prefer to retain all the profits, since they run the risk of losing all if the Company is not a success.

In the absence of agreement to the contrary in the regulations, all shares rank equally in the winding up of a Company and the sharing of the residue after payment of creditors.

The difference between Debenture holders and Preference Shareholders is that the former are loan creditors and receive their interest whether profits are made or not; whilst in a liquidation, if they hold a charge on the assets, they may exercise that charge, and so rank before all other creditors, but, if not, they rank equally with other creditors (loan or trade) in their right to be paid out of the assets. Preference Shareholders, on the other hand, are only entitled to their dividend out of profits (if any), being shareholders only; and, in a liquidation, they are only entitled to be repaid out of assets remaining after the payment of all costs of liquidation, and

after the claims of the Debenture holders and creditors are satisfied. A preference share is a most over-rated form of investment ; it practically confers upon its holder all the disadvantages of both debentures and ordinary shares, and the advantages of neither. A Company is required by law to have the following—

- (1) A Common Seal ;
- (2) Register of Members ;
- (3) Register of Mortgages ;
- (4) Register of Directors and Managers ;
- (5) Minute Book ;
- (6) An annual list of members and summary.

(1) The Common Seal must have the Company's name " legibly engraven " thereon, and since, in a trading Company, it is only on important or official documents that this Seal is required to be used, it should be kept in a box with two locks at least and with the keys, of course, in possession of different people, usually the Secretary and the Directors, and it should be used only under the authority of a special minute passed at a meeting of the Board or the Company. Many Companies have a Seal Register to record every document to which the Seal has been affixed, setting out the document, date and names of the witnesses to the act—also the destination of the document.

(2) The Register of Members must, by the Companies (Consolidation) Act, 1908, be kept at the Registered Office of the Company and be open for at least two hours in each day to the inspection of members, free of charge, and to all other persons on payment of not more than one shilling, except for a period of not more than thirty days in each year, when the book may be closed to all. Any person is also entitled to a copy, at the rate of sixpence per hundred words. The penalty for default in either case is £2 per day. Under Section 25 of the Act, the book must contain the following information—

" The names, addresses and occupations (if any) of the members, and in the case of a Company having a share capital a statement of the shares held by each member, distinguishing each share by its number, and of the amount paid or agreed to be considered as paid on the shares by each member :—

" The date at which the name of any person was entered in the Register as a member :

“ The date at which any person ceased to be a member.”

All law stationers stock a ruling of this book, meeting all statutory requirements and, therefore, no form is given here.

(3) The Register of Mortgages and Charges is required to be kept by Section 100 of the Act of 1908, and must contain “ a short description of the property mortgaged or charged, the amount of the mortgage or charge and (except in the case of securities to bearer) the names of the mortgagee or persons entitled thereto.” All members or creditors have a right to inspect or copy this book at any time free.

It must be remembered that, under Section 93 of the Companies (Consolidation) Act, 1908, the following mortgages or charges must be filed with the Registrar of Joint Stock Companies within twenty-one days of their creation—

- (a) A mortgage or charge for the purpose of securing any issue of debentures, or
- (b) A mortgage or charge on uncalled capital of the Company, or
- (c) A mortgage or charge created by or evidenced by an instrument, which, if executed by an individual, would require registration as a bill of sale, or
- (d) A mortgage or charge on any land, wherever situate, or any interest therein ; or
- (e) A mortgage or charge on any book debts of the Company ; or
- (f) A floating charge on the undertaking or property of the Company.

(4) A Register of Directors and Managers of the Company, setting out their names, addresses, nationality, and occupations, must be kept under Section 75 of the 1908 Act, and a copy sent to the Registrar annually.¹

(5) The Minute Book contains a record of all proceedings of, and resolutions passed at, Shareholders' and Directors' meetings.

(6) The Annual List of Members and Summary requires to be in the official form and must be sent up to the Registrar every year. It is made up on the fourteenth day *after* the first Ordinary General Meeting in each year, and contains the names, addresses, and occupations of all who are at the time, or have been since the last return, shareholders and the following information as to capital—

¹ By the Companies (Particulars as to Directors) Act, 1917, further matters must now be supplied, such as change of names and particulars as to nationality.

The amount of capital ; number of shares authorized to be issued ; the nominal amount of each and amount called up ; the number of shares issued respectively for payment wholly in cash, partly in cash and for consideration other than cash ; total amount actually paid up in cash, amount considered as paid up and balance of calls in arrear ; amount paid on shares forfeited (if any) and the amount of debts in respect of any mortgage or charge created by the Company requiring registration, or which would require registration, if created after the commencement of the Act. Every Company that is not a private Company must also include in its annual return a statement, in the form of a Balance Sheet, audited by the Company's auditors, and containing a summary of its share capital, its liabilities, and its assets, giving such particulars as will disclose the general nature of the liabilities and assets, and how the nature of the fixed assets have been arrived at (Section 26 (3)).

The form in question can be obtained from any law stationer, and must be sent to the Registrar with a copy of the Register of Directors and Managers, and the fee of five shillings, within 7 days of the date to which it is made up.

The Registers of Members, Mortgages, and Directors, and forms to take copies of the Annual List, together with a Register of Transfer, are supplied bound in one book by most law stationers, and these statutory requirements are, in the case of small Companies, usually dealt with in that way.

In addition to the above books, which are all necessary by law, a Company would require to have the following books which are not necessary in the case of a private firm—

Share Certificate Book, which is arranged with a Counterfoil like a Cheque Book, only larger, and the detached portion forms the actual Certificate issued to each holder of the Company's shares under the seal of the Company :

A Register of Transfers, which contains particulars in tabular form of all documents transferring shares in the Company :

An Applications and Allotments Book, which is used in connection with the offer of shares to the public (the form and full working of this is described later).

A Fees Book for an account of all fees received for the transfer of shares, inspection or copy of Register of Members, copy of Memorandum, and Articles of Association, etc.

Other books are sometimes used to meet particular cases such as a Register of Share Warrants, Register of Debenture Holders, etc., but the above are the books required by practically every Company.

Having obtained the necessary books and issued the prospectus, the applications for shares will begin to come in through the bankers with an accompanying list. As soon as each list comes in, it should be checked with the original form of application and then handed to the clerk in charge of the "Applications and Allotments Book." This book will consist at this stage (in the case of large Companies) of a number of loose sheets each headed alphabetically, and, if the number of applications justify, sub-divided under the first vowel of the name of the applicant. The first sheet would, therefore, appear as Aa and would include such applicants as Adam Aaronsberg, etc.; if one sheet were not sufficient for each sub-division, it would also be numbered, e.g. Ba¹, Ba², etc., for such names as Blair, Brain and Banbury. The sheet would be ruled according to the requirements of the Company, which would vary according to the calls payable after allotment.

At the time of the actual allotment each sheet should be signed by a Director and the Secretary for purposes of identification.

The form, as per inset, supposes the case of a Company which is offering £10 shares, payable £1 on application and £2 on allotment. The first seven columns would be entered immediately the application was received, and column (7) would be agreed with the amount appearing to the credit of the Company in the Bank Pass Book. The 8th column would be filled in to assist the Directors in their allotment as soon as all the applications were received, in a flotation where shares were over-applied for and it was impossible to allot all applications in full. The 9th column would be filled in by the Directors on the actual allotment, and columns 10, 11, 12, 15, 16, and 17 would be filled in by the staff immediately after allotment. The actual Letters of Allotment and of Regret would then be filled up from the sheets, as already prepared, and posted to applicants.

Every Letter of Allotment must be stamped, before being signed and issued, with an impressed stamp value 6d., if the shares allotted are £5 or over in value, otherwise with a penny stamp.

Where all the capital is intended to be called up shortly after allotment, columns are frequently added to the above book to show the amount payable on each call and the date of its payment.

The sheets will have been added and summarized prior to the issue of the allotment letters, and it will be found that the total of column (9) will agree with the number of shares actually allotted ; the total of the " Amount due on Allotment " (column 12) should be checked in total at the rate per share for the number of shares allotted. The Application and Allotment Sheets are then all signed by the Chairman and Secretary for identification. The Register of Members is then written up from these sheets, and they are finally bound together for safety and are known henceforward as the " Applications and Allotments Book." A " Loose-leaf " binding case will be found most useful for this purpose.

If various classes of Shares and Debentures are all issued at the same time, each one should have the forms of application tinted a different colour, to avoid confusion, and there should be a separate set of Application Sheets for each. In the case of Companies of any size, a separate set of Registers will also be kept for each.

A Return of each allotment must be filed, in the official form, with the Registrar of Joint Stock Companies, accompanied by a five shilling fee, within thirty days of such allotment.

The Register of Members then becomes the official record of the shareholders of the Company, and, in the case of large Companies, will be put in the charge of a " Registrar " ; or, in smaller concerns, in the hands of the Secretary, with or without the assistance of a Transfer staff. It will be the duty of this staff to receive all documents tending to alter the names or standing of any shareholders by transfer, marriage (of a female shareholder), death, or otherwise, and to see that such documents are duly entered and recorded in the books, and that the fees (if any) to which the Company is entitled therefor are duly received and accounted for. The book in question might be ruled in the form shown on page 225.

The transfer, when received, should be compared with the certificate surrendered and the Register of Members, and submitted to the Directors at their next meeting for approval. To prevent fraud, it is usual to send a notice to the transferor, stating that a document purporting to be signed by him has been lodged and that, if he does not lodge an objection within 7 days, the same will be submitted to the Directors for approval.

Most Articles give the Directors absolute right to admit or reject a transfer, and many private Companies have clauses practically

preventing transfers to persons other than present members of the Company, their wives and children. The Directors consider the transfer, and, if they decide to pass the same, the old certificate should be cancelled in their presence, and they can then sign new certificates for the same number of shares as have just been cancelled. The Seal of the Company will then be attached to the new share certificates. When a man transfers his entire holding at once, no difficulty should arise, but it may happen that a holder of 100 shares desires to sell them and is obliged to do so in two lots of 50 shares each. If he has sold one lot before the other, he will probably direct the Company not to issue a new certificate for the second 50 shares, which, after the Directors' Meeting, will still stand in his name, but to retain the same until the sale of the second lot is completed. Under these circumstances, a note must be given to the Registrar that 50 shares require a certificate from the old certificate No. — ; the old certificate will itself be endorsed to show this, and must be produced to the Board at the time the second lot of 50 shares is submitted for transfer. Immediately the second transfer is passed by the Board, the Registrar must enter it in the Register of Transfers and post the particulars to the accounts affected in the Register of Members, crediting the transferee and debiting the transferor in that book to show the present holdings of each.

As previously stated, the Register of Transfers, in a small Company, is usually bound in one book with the Register of Members, etc.

It will also be the duty of the Registrar to see that all calls are paid when due, and to submit the list of outstanding calls to the Directors, and take their instructions on the matter. The rights of the Company will depend upon their Articles, which usually reserve to the Company the right to forfeit the said shares after a formal notice to the shareholder in arrear, specifying a further date on or before which he must pay his calls overdue. The Articles of Association usually provide that shareholders whose shares have been forfeited lose all rights and interest in such shares, which lapse absolutely to the Company. Each shareholder nevertheless remains liable, even after forfeiture, for any calls made whilst he was a member.

Although it is illegal for a Company to issue its shares at a discount, forfeited shares may be re-issued to any other person for

sufficient to pay '20s. in the pound in all; that is to say, if a £10 share had been forfeited after £3 had been paid on it, the Company could re-issue it for any figure they thought fit, not being less than £7. Of course, a formal resolution of the Board would be necessary, either to forfeit a share or to re-issue a forfeited share, the latter being in effect an ordinary allotment, subject to special terms of payment.

A trouble that is likely to arise in a Company which has been in existence a few years is the loss by a shareholder of his certificate, in which case he should apply to the Company for a new one. The usual course is to write him a formal note, asking him to make a thorough search for the document, and, if it is still missing, to issue him a new one on his making a statutory declaration that it has been lost, and that, in event of its recovery, he will hold the Company indemnified against any loss which may occur, and will, if it is subsequently found in his possession, forthwith return it to the Company. Many Companies charge a special fee for a certificate issued under this heading.

Before leaving this section, it is well to remember that, when shares are issued for a consideration other than cash, the agreement embodying the terms of such issue must be filed with the Registrar within one month from the time the shares are issued.

The first (or "Statutory") meeting of the Company must be held not less than one month or more than three months from the date on which the Company is entitled to commence business. The notice calling this meeting must be accompanied by a special report which in the case of Public Companies has been previously filed with the Registrar of Joint Stock Companies. Full particulars of this meeting are contained in the next chapter.

Another matter which is confined to Limited Companies is the question of Debentures, the financial standpoint of which has already been discussed. It must be remembered that, if these Debentures give any charge or mortgage over the Company's assets, they must be registered with the Registrar of Joint Stock Companies, and also in the "Register of Mortgages and Charges" kept at the Registered Office. Where there are a large number of bonds issued, or where the Debentures take the form of stock held by a large number of different holders, it will be necessary to keep the same class of books for them as for shares, that is to say, ~

" Application and Allotment Book," " Register of Transfers," and " Register of Debenture-holders," and the particulars of the work will be the same as those described for dealing with shares, save that the Directors will not have the right to refuse to register the transfer, unless a clause limiting the right to transfer appears on the Bond or Stock Certificate itself, which is very unusual.

The only practical difference between Stock and Shares is that the former is always fully paid up, whilst the latter are not. Moreover, a share is a specific proportion of the capital of the Company, and can only be transferred in such portions, whilst stock can be sub-divided to any extent desired, subject to the regulations of the Company. Thus, a man holding one £10 share could only sell it, as such, or keep it; whilst a man holding £10 stock could (in the absence of special restriction) sell, say, £5 6s. 8d. and retain £4 13s. 4d. for himself. Stock Ledgers, therefore, require the usual money columns, instead of simple columns for the quantity (number) of shares or debenture bonds held or transferred. Often, however, the right to transfer even Stock is restricted to multiples of £1.

Another point peculiar to Company work is the method of distribution of the profits. Here again, reference to the Articles is necessary. For instance, some Articles of Association provide that the Directors have no right to distribute an interim dividend; whilst, in many Articles, it is provided that no higher rate of dividend shall be paid than is recommended by the Directors. But the point of immediate interest here is the procedure after the profits have been declared and the dividend sanctioned by a resolution of the Company. In large Companies, the Register of Members is closed before the Annual Meeting, and a list is prepared of all the members, with the number of shares held by each, and the amount of dividend to which each is entitled calculated out. The question of calculation even requires reference to the Articles, for, if provisions on the lines of the 1862 " Table A " be adopted, the calculation must be worked on the nominal amount of the shares, and not the amount paid up, so that two £10 shares, one fully paid up and one £5 paid up, would receive an equal dividend. In the great majority of Companies, however, the Articles provide that the dividend shall be declared and be payable proportionately on the paid-up capital, and not on the nominal amount of capital issued.

Form of Dividend Warrant.

No.....

(Date and Address.)

The Earlham Manufacturing Co., Ltd.

SIR,

In accordance with the resolution passed at the General Meeting of the above Company on 5th instant, I send you herewith dividend warrant as follows :—

	£	s.	d.
One year's dividend at 5 % on 10 shares of			
£10 each	5	-	-
Less Income Tax at 4s.	1	-	-
Amount receivable	4	-	-

I hereby certify that tax on the above Dividend has been or will be accounted for to the proper authorities.

Yours faithfully,

HENRY BLANK.

Secretary.

Shareholders seeking relief from Income Tax are informed that Inspectors of Taxes will accept the above statement.

Proprietors to retain this portion. Please note any change of Address.

No.....

The Earlham Manufacturing Co., Ltd.



Dividend Account 1.

Date

To the Citadel Bank, Ltd.

Pay..... or order

the sum of

£.....

For the Earlham Manufacturing Company, Ltd.,

.....Secretary

The Proprietors will sign here.

Name.....

Address.....

This cheque must be presented within three months from date.

(Form No. 58)

“ free of tax,” the net amount paid must be “ grossed ” by adding back such an amount of tax as represents the standard rate on the dividend so increased. A normal form is given on page 230, but this must, of course, be suitably amended in (so called) “ tax free ” cases.

To show the care necessary in the case of a Limited Company, perhaps the best way is to close this chapter with a list of some offences, for which penalties (varying from £50 per day downwards) may be inflicted on the Company or its officials. Some of these penalties cannot, of course, apply to Private Companies—

Not keeping the books directed by the Acts (Register of Members, etc.), and not allowing inspection of the same to any applicant entitled, and not forwarding proper extracts from them to the Registrar :

Not having a registered office with the name legibly appearing outside :

Failure to file any document requiring filing with the Registrar, including—

Return of Allotments, contract to take shares other than for cash consideration, report for statutory meeting, mortgages or charges, any special resolution :

Neglect to return application money within 48 days after the first issue of the prospectus, if there has not been any allotment on account of the “ minimum subscription ” clause :

Inserting the name of a person who has not consented to act as Director as such in the application to register, or the acting as a Director of a person who is not qualified :

Omission to hold Statutory meeting :

Commencing business or exercising borrowing power without the Registrar’s certificate :

Concurring in the issuing of any document (including share warrant, transfer, etc.), not duly stamped :

Neglect to send copy of Memorandum and Articles of Association to any member with copy of alterations made by any special resolution ; and others.

CHAPTER XX

Company Work (*continued*)—Preparations for Committee, Board, and General Meetings—Agenda—Minutes—Reports—Methods of keeping papers pending production at Meetings

Too much care cannot be given to the preparation of information likely to be required at meetings of the Directors of a Company. The Secretary who wishes to stand well with his Directors will strive to develop a good system of collecting and preparing information regarding the business, which may be available at a moment's notice. The regular and methodical collection and analysis of current data should be arranged, so that it is not necessary to defer the consideration of a question until the necessary information is hurriedly and imperfectly looked up. It is the duty of a Secretary to keep in such close touch with the business that he is able to give his Board *precise* information on every point which may arise, whether its want was foreseen or not. A natural or acquired talent for method is an invaluable equipment, the result of which will be shown in the facility with which the business of the Board Meetings is carried through.

The exact nature of the records to be prepared will depend upon the nature of the business of the Company. A comparative financial statement is usually required by the Directors at each meeting of the Board. Such information is requisite for the proper conduct of the business, and the statement should show not only the cash actually in hand at the moment, but that which will be available shortly, together with the forthcoming liabilities, and the provisions made, or to be made, for meeting them. Not only should the financial position be known, but the Directors will naturally wish to have information as to the volume of business and the approximate profit which is being made, or the loss incurred. For this purpose, instead of the bare figures being given, it is becoming a common practice to present the information in graphic form. The general tendency is better and more easily shown by a good "graph" than by long columns of figures, and comparisons of certain periods are also facilitated by the use of differently coloured inks. Where the "graph" plan is not adopted, it may be found convenient

for purposes of comparison to translate the figures into percentages.

The Directors have power to arrange for meetings to be held at such times and places as they may think fit, and (subject to the Articles) to determine what shall be the quorum necessary for the transaction of business. Every member of the Board should have due notice of the time and place of meeting, as it has been held that business done at a meeting of Directors, of which some Director had no notice, is invalid. Even if a majority of the Directors are present at a meeting, they cannot act unless due notice has been given to the whole body, nor must any Director be excluded from the meetings of the Board. It is not necessary that the notice should state the business to be transacted.

The Directors may elect a Chairman, and determine the period for which he is to hold office ; but if, at any meeting, the Chairman thus elected is not present, the Directors may choose one of their number to be Chairman of that meeting. They may delegate their powers to Committees consisting of any members of their body they think fit.

It is the duty of the Secretary to prepare the Agenda, or heads of business to be transacted at the meeting ; and, in order that no items may be omitted, he should keep for his own use a rough Agenda Book, in which should be entered from time to time all matters requiring the attention of the Board. From this he can make up his Agenda for the Board Meetings. Perhaps the best form for the latter is that in which the various items are entered on one side of the page, with the other side left blank, in order that the Chairman may insert his own remarks as the matters are dealt with by the Board. The Secretary will, in addition, take minutes of all resolutions and proceedings, afterwards (in some Companies) submitting them to the Chairman before entering them in the Minute Book as a permanent record.

The following will be found a convenient form of Agenda for Board Meetings—

1. The verification of the Minutes of the previous meeting, certifying that they form a correct record of what took place :
2. Correspondence, or matters arising out of the Minutes.
Reports as to the carrying out of resolutions or suggestions of the previous meeting :

3. Statistical information, financial statement, approximate trading accounts, analyses, etc. :
4. Reports of Sub-Committees, where such have been appointed :
5. Share transfers and issuing of new certificates :
6. Capital items, calls, loans, etc.

It is not necessary that the Agenda should be permanently kept, and no Agenda Book, therefore, is required, although in practice one is often used.

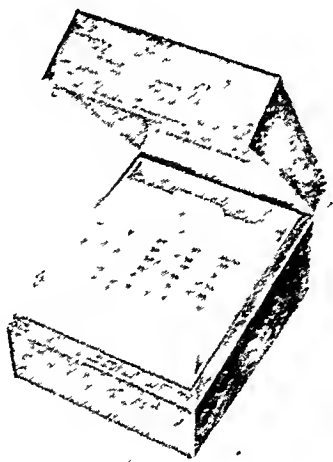
An Attendance Register should be kept, and signed by Directors present at each meeting.

The Minute Book, being the official record of the business done at each meeting, should receive careful attention. Under no consideration should a page be removed from the Minute Book, as such mutilation would give rise to suspicion in case of inquiry. Immediately after the meeting, and whilst the various matters which have been dealt with are fresh in his mind, the Secretary should proceed to draft the Minutes. The notes which he himself has taken will be supplemented by the Chairman's notes on the Agenda, and, as previously suggested, it is sometimes the practice to submit the draft Minutes to the Chairman before entering them in the Minute Book, so as to lessen the liability to alteration when the Minutes are submitted for verification. Should such alteration be deemed necessary, the correction should be made by the Secretary and initialed by the Chairman when the Minutes are signed. The Minutes should be indexed, in order to facilitate reference in case of need.

A great saving of time may often be effected by the Secretary sending to each Director, a few days before each meeting, a letter setting forth the subjects likely to come up for discussion, and giving such extracts from any important correspondence as will assist him to form a judgment upon them. Each Director will thus be kept posted up in the current affairs of the Company, and a large amount of time be saved which would otherwise be taken up by explanations.

Each of the Directors should be furnished with a portfolio, or file, in which he may place copies of documents to be discussed, or any notes which he may desire to keep for future use. The Secretary himself will find it useful to keep all the

the card indicating 1st January is placed behind that representing 31st December, so that the whole of the cards are, like an endless revolving chain, gradually working round. In this way, it is possible to keep in constant touch with questions requiring attention, as, after a subject has been dealt with, e.g. after an important official letter has been sent, to which it is necessary that a reply should be received within a certain period—a note can be made which will bring the matter forward again in a few days' time, when, if the reply has not been received, a reminder may be sent or other



necessary steps taken. The possibilities of this system are very great, as it can be applied not only to the business of the Company as connected with its administration, but also for the purpose of keeping in view the rendering of accounts, the due dates of Bills of Exchange, the dates on which certain returns must be made, insurance premiums renewed, and, in fact, it may take the place of a diary, to which in many respects it is superior.

Every Company must hold a General Meeting once at least in every year, and when the Directors have decided to convene a General Meeting, it is the duty of the Secretary to see that proper notice is given to every person entitled to receive such notice. The time at which the Annual General Meeting is to be held is usually fixed by the Articles, and, where there are no special Articles, "Table A" prescribes that it shall be held not more than fifteen

evidence was given to prove his absence to have been occasioned by anything else except the want of a summons." It is evident from this that *all* are entitled to notice.

Most Articles provide, however, that a member shall be deemed to have received notice, if such notice has been posted to him directed to his last registered address.

The Articles of most Companies, in making provision for general meetings, prescribe what business shall be considered "ordinary," and any other business which it is intended to transact at such meetings must be looked upon as "special," and due notice must be given of this.

"Extraordinary General Meetings" may be called by the Directors at any time they think proper, and, at such meetings, only the special business for which they are convened can be transacted. Under certain circumstances, an Extraordinary General Meeting may be called by the members themselves. The Directors are bound forthwith to convene an Extraordinary Meeting on the requisition of the holders of not less than one-tenth of the issued capital of the Company, upon which all calls, or other sums then due, have been paid. The requisition must be signed by the members concerned, and must state the objects of the meeting. If the Directors do not proceed to arrange for a meeting within 21 days from the date of the requisition, the requisitionists (or the majority of them in value) may themselves convene the meeting. It must, however, be held within three months from the deposit of the requisition. If, at such meeting, a resolution is passed which requires to be confirmed by another meeting, the Directors are forthwith bound to convene a further Extraordinary General Meeting, to consider and, if thought fit, to confirm the resolution as a special resolution; and, if the Directors fail to call such meeting within seven days of the passing of the first resolution, the requisitionists (or a majority of them in value) may convene the meeting.

A special resolution, which has been passed at one meeting and which requires to be confirmed by a second, must either be confirmed without alteration or rejected.

The adjournment of a General Meeting may be brought about either by the absence of a quorum within the time fixed by the Articles, or by a motion for adjournment. It is competent for any member to move at any time, without notice, "that this meeting

do now adjourn." Like other formal motions, it takes precedence of any other question or matter in hand. It need not be in writing. If the motion is carried, it should be followed by another, naming the time and place at which the adjourned meeting is to be held. As the adjourned meeting is usually a continuation of the original meeting, it generally requires no fresh notice to be given, except where no definite date had been fixed for the adjourned meeting. No business can be transacted at an adjourned meeting except that left unfinished at the first meeting, unless notice has been given in due form that such fresh business will be introduced.

The general meetings of the Company are those at which the shareholders are able to show their interest, and exercise control in the affairs of the Company. The Report and Accounts are laid before the members at the ordinary general meeting for acceptance. It is usual for the Chairman to explain the position of affairs, and enlarge upon the matters dealt with in the report, in his opening address, which he concludes by moving "that the report and accounts be adopted." This resolution is generally seconded by one of the Directors, after which the shareholders are in a position to discuss and criticize the report and accounts, and ask for any information they may desire. The Directors, however, are not bound to give such information as is not contained in the report. In some cases, this might not be desirable. If the shareholders are not satisfied with the way in which the affairs of the Company have been conducted, or with the report itself, they may oppose the motion. If they succeed in doing so, it is considered a vote of censure upon the Directors, but beyond that it has no effect. The dissatisfied shareholders may proceed to appoint a Committee of Inspection—but this can only be done by a special resolution, which requires to be carried by a three-fourths majority at a meeting of which notice has been given that such resolution would be proposed, and it must also be confirmed at a subsequent meeting. If the report is considered satisfactory and is carried, one of the Directors usually moves the payment of the dividend, as recommended in the report, and the Articles usually provide that the shareholders may reduce—but not increase—the dividend thus recommended. The retiring Directors are then re-elected, or vacancies in the Board filled up as the shareholders may deem desirable. This is followed by any special business of which notice has been given.

The Minutes of the meeting must be taken by the Secretary ; but there is no obligation upon the Directors to publish a report of the proceedings of general meetings, although it may be deemed

CHAPTER XXI

Legal Matters—Sale of Goods Act—Guarantees—Cancelment of Orders—Interest on Overdue Accounts—Carriers—Recovery of Debts—Deeds of Arrangement—Disputes with Employees—Truck Acts—Workmen's Compensation

THE business man who anticipates he will be able to conduct his business without coming into contact with matters legal is very sanguine, and is likely to be disappointed. However anxious he may be to give the law a wide berth, he will find himself constantly in need of its aid, either to enable him to keep out of difficulties or, when once in, to get out again with a whole skin. It is an old and wise saying that "the man who acts as his own lawyer has a fool for a client," and, therefore, the best advice to a business man who requires the aid of the law is that he should consult a competent solicitor, and be guided by his advice.

There are, however, many cases in which it is necessary for the business man to act promptly, and, as ignorance of the law is no excuse, he should endeavour to make himself familiar with certain fundamental principles, and know where he is with regard to the law affecting matters of almost every-day occurrence. For this reason, it is proposed in this and the following chapter to draw the attention of the business man to certain matters of law and legal procedure with which it is desirable that he should be acquainted.

The great importance to commercial men of the law relating to the sale of goods has long been recognized, and the Sale of Goods Act, 1893 (which, by the way, has the enviable reputation of being the best drawn Act on the Statute Book), contains, in a codified form, all the law upon this important subject. It is well that a few of the leading features of this Act should be kept in mind, and one of the most important is Section 4, which provides that "A contract for the sale of any goods of the value of £10 or upwards shall not be enforceable by action unless the buyer shall accept part of the goods so sold and actually receive the same, or give something in earnest to bind the contract, or in part payment, or unless some note or memorandum in writing of the contract be made and signed by the party to be charged or his Agent in that behalf." Acceptance does

not mean an acceptance in performance of the contract. Any dealing with the goods which recognizes the fact that there has been a contract is sufficient. For example, if the goods are examined to see if they correspond with a sample, and even if rejected because they are not up to sample, there is an acceptance within the section. The section does not require the contract itself to be in writing but only a memorandum of its terms. The actual bargain may be made verbally. In one case, the only memorandum was a letter containing the terms but repudiating liability, but it was held sufficient. Five things must appear in writing, viz., (1) the parties to the bargain, (2) the terms of the promise, (3) the consideration, or return given for the promise, (4) the promise itself, or an acknowledgment of it, (5) the signature of the party to be charged. Much litigation, valuable to the lawyer, but annoying and expensive to the litigant, would be saved if business men were more careful with their contracts for the sale and purchase of goods than is often the case. An agreement, letter, or memorandum made for, or relating to, the sale of any goods, wares or merchandise does not need to be stamped. Doubt is often felt as to whether, on the neglect or refusal of a buyer to accept and pay for goods he has ordered, the seller is able to sue for the price of the goods or only for damages for breach of contract. As the latter is *prima facie* the difference between the contract price and the market price at the time of the neglect or refusal, it is often more to the interest of the seller to be able to deliver, and obtain payment for, the goods than to recover damages. This he can only do where the property in the goods has passed to the buyer, and the statute lays down certain rules which determine when the property in the goods has so passed. It is possible, however, for the contract to be so worded as to enable the seller to obtain the contract price for his goods in case of the buyer's neglect or refusal to accept delivery, and the wise business man will be careful to have an order form to be signed by his customers carefully drawn so that the latter may not wriggle out of an order with little or no loss to themselves.

The question as to whether or not the property in goods sold has passed to the buyer is also important in determining by whom the loss must be borne in case the goods are destroyed before actual delivery. If there is no agreement to the contrary, the goods remain at the seller's risk until the property in them is transferred

to the buyer ; but, when once the property is transferred, the goods are at the buyer's risk, whether delivery has been made or not. An important proviso to this rule is that, where delivery has been delayed through the fault of either buyer or seller, the goods are at the risk of the party in fault as regards any loss which might not have occurred but for such fault. It may be useful to mention the principal rules for determining when, in the absence of special agreement, the property in goods passes to the buyer, and it must always be remembered that there is a great distinction between the *property* in the goods and the goods themselves. Where there is an unconditional contract for the sale of specific goods (i.e. goods identified and agreed upon at the time a contract of sale is made) in a deliverable state, the property passes at the time the contract is made. If there is a contract to sell specific goods, and the seller is bound to do something to the goods before they can be delivered—as, for example, to polish furniture—the property does not pass until that something is done and the buyer is informed that the goods are ready for delivery. If there is a contract to sell specific goods and the goods are ready for delivery, but require to be weighed, tested, or otherwise dealt with for the purpose of ascertaining the price, the property does not pass until such act is done and notice given to the buyer. (The term “Specific” goods involves something more than description.. A sale of “ 50 Southdown sheep ” is not “ specific,” and can be satisfied by the delivery of any 50 Southdown sheep ; a sale of “ the 50 Southdown sheep on my farm at Blackacre ” is “ specific ” as the sheep are identified.) Where there is a contract for the sale of unascertained goods by description, and goods of that description and in a deliverable state are unconditionally appropriated to the contract, either by the seller with the assent of the buyer, or by the buyer with the assent of the seller, the property in the goods thereupon passes to the buyer. Such assent may be expressed or implied, and may be given either before or after the appropriation is made. It will be seen that the question of the passing of the property in goods is all important, and, as it may be determined by the contract, such document should be carefully prepared, and the advice of a solicitor taken if the transaction is a large one.

It is also well for the seller of goods to bear in mind that if, while goods are in the course of transit, he hears of the buyer's insolvency,

he may stop the goods and re-take possession of them while on their way, and retain them until payment. This step can only be taken while the goods are in course of transit, and provided the Bill of Lading, or other document of title, has not been assigned by the purchaser to a *bona fide* assignee for valuable consideration. If the buyer becomes insolvent before the goods, for which payment has not been made, leave the seller's possession, the seller may retain them until payment is made. A person is deemed to be insolvent who either has ceased to pay his debts in the ordinary course of business or cannot pay his debts as they become due, whether he has committed an act of bankruptcy or not.

A purchaser of goods should understand that by the common law the rule of *caveat emptor* (let the buyer beware) applies, and that he takes the risk of the goods not being suitable. The exceptions are given in the Act as follows : (1) Where the buyer, expressly or by implication, makes known to the seller the particular purpose for which the goods are required, so as to show that the buyer relies on the seller's skill and judgment and the goods are of a description which it is in the course of the seller's business to supply (whether he be the manufacturer or not), there is an implied condition that the goods shall be reasonably fit for such purpose, provided that, in the case of a contract for the sale of a specified article under its patent or other trade name, there is no implied condition as to its fitness for any particular purpose : (2) Where goods are bought by description from a seller who deals in goods of that description (whether he be the manufacturer or not), there is an implied condition that the goods shall be of merchantable quality ; but, if the buyer has examined the goods, there is no implied condition as regards defects which such examination ought to have revealed : (3) An implied condition as to quality or fitness for a particular purpose may be annexed by the usage of trade.

It often happens that a seller of goods who is doubtful of his customer's position, and anxious to avoid a bad debt, asks for a guarantee from some responsible person that payment will be forthcoming. There must be a written memorandum of an undertaking of this description signed by the party to be charged therewith if the customer is to remain primarily liable, but not if the liability to pay in any case rests upon the person giving the undertaking. For example, if A gives an order for goods, and B says to

the seller, "If A does not pay you, I will," A remains primarily liable, and the promise of B, to be worth anything, must be put into writing. If, however, B says "Supply A with certain goods and I will pay," B takes the entire responsibility and his promise may be verbal only.

An offer to purchase goods may be cancelled if cancelment is effected before the offer is accepted. If A writes to B offering a certain price for certain goods, he may withdraw his offer at any time before it is accepted by B. As many commercial contracts are made through the post, the following simple rules as to offer and acceptance through the post should be carefully noted. "The Post Office is the servant employed by the party making the offer to deliver the offer and receive the acceptance." Hence (1) an offer made by letter is made when the letter is delivered; (2) such offer is accepted when the letter of acceptance is posted, even though it may never reach its destination; (3) till the letter of acceptance is posted, but not afterwards, the offer may be withdrawn, e.g. by another letter or telegram. The moral of this is obvious: If an offer is worth accepting, accept at once.

Sellers of goods often make a mistake in thinking that they can recover interest upon overdue accounts. Interest cannot be recovered unless there has been an express promise by the customer to pay interest, or unless such a promise can be implied from the usage of trade or other circumstances. The common practice of printing upon an invoice the words "Interest charged on overdue accounts," or words to the like effect, will not enable the seller to recover interest. The most effective way of making an extra charge where accounts are not promptly paid is to offer a rebate if payment is made within a stipulated time. When the time has elapsed, the rebate is forfeited.

The question of liability for goods lost or damaged in course of transit deserves attention. A common carrier is an insurer of the goods entrusted to him, except as to loss occasioned by the act of God, the King's enemies, or the inherent defect or vice of the thing carried. A carrier by land is, by virtue of the Carriers' Act, 1830, exempt from liability for loss or injury to certain articles exceeding £10 in value, unless the value has been declared by the sender, and an increased rate paid. Among the articles are gold, jewellery, watches, pictures, china, and silk. The liability at common law and

under the provisions of the Carriers' Act was often evaded by carriers putting notices, usually in very small type, upon the receipts given to persons delivering goods, to the effect that the carriers would not be liable for damage or loss except in certain circumstances. These notices were held to constitute special contracts, setting aside the carriers' common law liability, and, as they were often unreasonable and not properly brought to the notice of consignors, it was provided by the Railway and Canal Traffic Act, 1854, that, although special contracts may be made with railway companies, they shall not be binding unless they are just and reasonable, and signed by the consignor or his agent. It is very advisable, therefore, that a consignor, before signing the documents put before him by a Railway Company, should read and understand them. In the majority of cases, they provide that the Company shall not be responsible for loss of or damage to goods consigned to them unless negligence on the part of their servants is proved, and, in the case of certain goods, it is necessary to prove that the loss or damage is due to wilful misconduct on the part of the carriers or their servants. It is almost impossible for the unfortunate consignor to prove, in case of damage to his goods, that the damage has been wilfully done, and it is very often extremely difficult to prove that there has been negligence of any kind. The law will not assume negligence from the mere fact that goods have been lost or damaged, and the consignor wishing to recover compensation must be prepared to show how the accident happened, and place the responsibility on the right shoulders. Railway Companies are not philanthropists, and will not settle claims unless the blame is clearly brought home to them. Consignment notes which constitute special contracts are too often signed by business men or their servants as matters of course, but it is often advisable to pay an increased rate and insure the carriage of the goods at the carriers' risk. Care should be taken to see that goods are properly packed, as carriers may get rid of liability on the ground of insufficient packing. It is hardly necessary to point out that goods received should be carefully examined before a receipt is given to the carrier, and the attention of the carrier called to any loss or damage. It should also be borne in mind that, if damages arising from a carrier's negligence are recoverable, nothing in the nature of special damage can be obtained unless the special circumstances were made known

to the carrier when the goods were consigned. If it is desired that, for some special reason, goods should reach their destination within a certain time, the matter should be carefully explained to the carrier, and he should understand that special loss will be occasioned if he fails to carry out his contract.

Next in importance to the selling of goods comes the question of obtaining payment from those who cannot or will not pay. Nothing that is satisfactory can be done with the former class. To sue them is often to throw good money after bad, and the best plan is to write off the debt at once as bad, and see that future orders are accompanied by cash. As to the latter class, they can be sued in the High Court or the County Court, but, in choosing the Court, regard must be had to the amount of the debt. County Courts have now jurisdiction to amounts not exceeding £100, but the procedure is sometimes slow and not always satisfactory. A writ can be issued in the High Court and judgment obtained in cases where no *bona fide* defence is possible, in little over a fortnight; but, if the amount is within the County Court jurisdiction, it sometimes happens that the plaintiff loses his costs altogether, or obtains costs on the County Court scale only. The procedure in the County Court may be (1) by ordinary summons or (2) by what is known as default summons. The latter is preferable as judgment may be signed if, within 8 days from personal service, the defendant omits to enter an appearance by signing and sending to the Registrar of the Court a notice at the foot of his summons to the effect that he intends to defend the action. The defendant need not, as in the High Court, show to the satisfaction of the Registrar that he has a defence, and it is not possible to set aside his appearance. If appearance is entered, the action proceeds as in the case of an ordinary summons, except that it can only be heard by the Judge and not by the Registrar. As defendants are usually quick enough to put in an appearance, proceeding by default summons is not as a rule satisfactory, especially as personal service is necessary and a defendant may be an adept at keeping out of the way. To enter a case in the County Court, two detailed statements of the claim are necessary if the sum claimed exceed £2, and it is also necessary to fill up a form (to be obtained at the Court) giving the names, addresses and descriptions of the parties, the amount claimed and what the claim is for. County Court fees are heavy. On entering

a plaint for the recovery of a sum of money not exceeding 10s. the fee is 1s. and for £1 it is 1s. 6d., with an additional 1s. 6d. for each £1 up to £6. Exceeding £6 an additional 1s. is payable for each £1 up to £30. The fee for a sum exceeding £30 and not exceeding £35 is 34s., and an additional 2s. for each £5 up to £50. After £50 the fee is 2s. for each additional £10 up to £80, and the fee from £80 to £100 is 48s. On the trial or hearing of an action an additional fee is payable, this being equal to the fee payable on entering the plaint, but where the defendant does not appear only one-half of the fee is payable. If the person to be sued does not reside or carry on business within the jurisdiction of the County Court for the district in which the creditor's place of business is situate, it may be necessary to issue the summons in the Court for the district where the defendant resides or carries on business. Leave will be granted by the Registrar to sue in the creditor's district if the cause of action arose there. That is to say, a creditor may sue in his Court if (a) the order for the goods has been received at his place of business; (b) the goods have been delivered to the customer within the creditor's district, as, for example, if they are sent by carrier and the carriage is paid by the buyer, or (c) if the place for payment is the creditor's place of business. As it is often very inconvenient and expensive to attend a Court at a considerable distance to prove his case, a seller of goods should, wherever possible, arrange that the cause of action shall arise within his, and not his customer's district. This may be done in one way by putting on the invoice a notice to the effect that the place for payment for the goods is the seller's place of business.

In attending the Court on the day fixed for the hearing of the case, the creditor must take care to be in a position by witnesses, or letters from the debtor, to prove the order and delivery of the goods or an admission of the debt or a promise to pay. After judgment is obtained, payment of the debt may be enforced by levying execution upon the goods of the debtor. Care must be exercised in adopting this course, for considerable expense may be incurred if the goods levied upon do not happen to be the debtor's property.

The Judge of the County Court has power to commit to prison a debtor who has the means but refuses to pay, but most Judges are very reluctant to exercise this power, except in cases where the means to pay are clearly proved, and committal orders, when made, are

usually suspended so long as the debtor will make payment by instalments. To obtain a committal, application must be made to the Registrar for a Judgment Summons, calling upon the debtor to appear and show cause why he should not be committed to prison.

On the hearing, the creditor must be armed with satisfactory *proof* of the debtor's ability to pay; and it is for him to show that the debtor can pay, and not the duty of the debtor to prove that he cannot. Very often, the issue of the summons will bring about the desired result if the debtor has the wherewithal to pay, but it is the last resource and failure at this step means a bad debt. If the debt is £50 or over and if judgment is obtained against the debtor, or he commits an act of bankruptcy, a Petition in Bankruptcy may be filed against him. This course may sometimes be advisable to prevent other creditors taking the debtor's property, but the result is not generally satisfactory to the creditor unless there is reason to suppose that the debtor has concealed or alienated property, and should not be resorted to as a means of coercion, as the petition may not be withdrawn without the leave of the Court, and the Court will not grant leave without giving other creditors the chance of going on with the bankruptcy proceedings. Two or more creditors, where individual debts are under £50 but equal or exceed that sum in the aggregate, may present a bankruptcy petition by joining together.

It is often advisable to enter into arrangements with debtors who, by reason of their liabilities, are unable to pay their debts in full. Private arrangements are often more satisfactory to both debtor and creditor than the realization of estates under Bankruptcy laws. The cost of realization and distribution is considerably less, and, unless the debtor has been guilty of some offence deserving of punishment, or it is suspected he is concealing some of his property, an arrangement outside the Bankruptcy Court is to be recommended. The law as to arrangements with creditors outside the Bankruptcy Court is now contained in the Deeds of Arrangement Act, 1914, and all private arrangements between a debtor and his creditors are void unless registered in accordance with that Act. Private arrangements are usually carried out either by a Deed of Composition, or an assignment of the debtor's property to a Trustee for the benefit of the general creditors. The first scheme is adopted

where a debtor proposes to pay a certain composition by instalments. The instalments should invariably be guaranteed to the satisfaction of the creditors, and the debtor's property is sometimes assigned to a Trustee who holds it in trust for the creditors until the composition has been paid. If the guarantee is satisfactory, the assignment of the property may be—and often is—dispensed with, but in any case a deed is necessary. The second scheme consists in assigning the debtor's property (except such property as would be excepted in case of Bankruptcy, i.e. the debtor's tools of trade, and the necessary wearing apparel and bedding of himself and his family to the value of £20) to a Trustee, who realizes it to the best advantage and distributes the net proceeds amongst the creditors in proportion to their debts; first paying in full claims which have priority in Bankruptcy as rent, wages, rates, and taxes. Any deed carrying out a private arrangement must be registered in accordance with the Act within seven days after its first execution by the debtor or any creditor, and with it must be lodged an affidavit by the debtor setting out in full the names and addresses of all his creditors, and the amount of their claims, and also stating the value of the property comprised in the Deed. A Register is kept of all deeds registered under the Act, and any person is entitled to inspect the Register and to obtain copies of, or extracts from, any registered deed. Deeds of Arrangement or Composition bind only those creditors who sign or assent to them, and as soon as executed by a debtor, are "Acts of Bankruptcy" upon which Bankruptcy proceedings may be taken within three months after execution by any creditors of the debtor who are not parties to the Deed of Arrangement or Composition, and are in a position to present a Petition in Bankruptcy. A creditor not assenting may, notwithstanding the Deed, sue the debtor for the amount of his debt; but, as he cannot touch the property comprised in the Deed, it rarely happens that he gains any advantage by keeping outside the Deed.

In general, there can be little doubt as to the expediency of those who are comparatively small creditors in an insolvency following the lead of the largest creditors, who (as being those most interested) may be reasonably expected to give the most trouble and attention to the matter, and, therefore, to arrive at the wisest course to be pursued. It is important to bear in mind, however, that the larger creditors in such cases owe no duty to the others, and are in the

nature of things merely playing for their own hand. It is probable that what is their interest will also be the interest of the general body of creditors, but it by no means follows. In particular, a large creditor will often desire that a business should be continued when such a course is not likely to lead to any increased distribution, solely because by that means he may be enabled to sell goods to the estate (perhaps at an enhanced price) for which he is certain to be paid, and thus somewhat reduce his loss. It is only under quite exceptional circumstances that the general body of creditors will derive any advantage from an insolvent business being continued : in the nature of things, a profitable business does not as a rule find itself in an insolvent condition.

With regard to failures in which a business is interested as a large (or as the largest) creditor, the most prudent course is undoubtedly to place the matter in the hands of the professional Auditor, and be guided by his advice—assuming, of course, that the Auditor is one who undertakes bankruptcy and insolvency work. Under certain circumstances, it may be desirable that a member of the firm should represent it on the Committee of Inspection ; but, with a Trustee of one's own nomination, such a course would appear to be quite unnecessary as a rule, and it may be mentioned, for what it is worth, that under such circumstances the firm would be debarred from supplying goods to the Trustee without obtaining, at its own expense, the leave of the Court so to do.

Where the debtor is a Limited Company, whether at the time actually insolvent or not, if there are Debenture-holders who have a floating security, it is, as a rule, undesirable to incur any expense in legal proceedings, as the only effect may be to bring the Debenture-holders into possession, when it will be quite doubtful whether there will be anything available for distribution among unsecured creditors. The position of creditors, where there are Debenture-holders with a floating security who can get a Receiver appointed as soon as an ordinary creditor has issued a writ and signed judgment, has been expressed in the following terms : " The cases are numerous in which the undertaking of a Limited Company is so loaded with debentures that the profits are barely sufficient, or perhaps not sufficient, to keep down the debenture interest, and that, if the Company is wound up, there is nothing for anyone but the Debenture-holders. In short, the facts often are that the undertaking

is substantially carried on only for the benefit of the Debenture-holders who have a floating security over it. In this state of facts, money is lent or goods consigned to the Company in respect of which a debt accrues to a creditor, and so long as the security floats, as it is termed, and no Receiver is appointed, the creditor has a possibility or expectation of being paid by the Company, for, as between the Company and the Debenture-holders, the former may pay in the ordinary course of business. But directly a Receiver is appointed, this expectation of the creditor is intercepted. He may have lent his money or consigned his goods to the Company last week ; but, if he has the audacity to ask payment, and to enforce his legal remedies to obtain it, the Debenture-holder obtains a Receiver in a proceeding to which the execution creditor is not a party, and thus closes the door against him, taking his money or his goods as part of the security, and leaving the creditor who supplied the money and the goods to go unpaid. I regret to be driven to the conclusion that, as the law stands, those are the rights of a Debenture-holder entitled to a floating charge." If, however, it is thought that the Debentures can be upset, the matter naturally assumes another aspect, and in that event the professional Auditor and the Solicitor might be consulted with advantage.

Disputes with servants are of frequent occurrence, and, to prevent them, written contracts should, when possible, be entered into. An indefinite hiring is a hiring for a year and terminable only at the end of the year, but many shorter notices have become customary. Thus clerks and servants of a like kind engaged otherwise than by express contract are very usually entitled to three months' notice only, and, in the case of servants of a lower grade, the notice required is generally determined by the payment of wages. For example, if paid weekly, a week's notice is sufficient ; if monthly, a month's notice, but where there is the least doubt about the customary notice, the length of notice should be settled by express agreement and recorded in writing. An employer may dismiss a servant without notice, if (a) he is seriously incompetent to perform his duties ; (b) he wilfully disobeys his master's reasonable and lawful orders ; (c) he is guilty of gross moral misconduct, whether pecuniary or otherwise ; or (d) he is so negligent in the performance of his duties as to expose his master's business to serious injury. A servant

summarily dismissed on one of these grounds loses any wages accrued since the pay day preceding his dismissal. Magistrates have, by virtue of the powers given to them by the Employers and Workmen Act, 1875, jurisdiction to settle disputes between employers and workmen; but the term "workman" is restricted to a labourer, servant in husbandry, journeyman, artificer, handicraftsman, miner, or person otherwise engaged in manual labour, and the amount in dispute must not exceed £10. The County Court must be resorted to in cases not falling within this Act. Magistrates have also, by the same Act, power to settle disputes between apprentices and their masters.

A master is responsible for wrongs committed by his servants, provided the servant is at the time acting either under express orders or in the course of his regular employment, and that his wrongful acts are not wilful and malicious; and it may be well to remind the business man that, although he is not obliged to give a character to a departing servant, he must, in giving one, be careful to state only what he knows to be true, or he may lay himself open to an action for libel or slander.

The Truck Acts, 1831, 1887, and 1896 contain much that is important to every employer. The Acts apply to and include every workman as defined by the Employers and Workmen Act, 1875, to which reference has already been made in this chapter, and the term "employer" includes masters, bailiffs, foremen, managers, clerks, and other persons engaged in the hiring of the workmen. It is proposed now to call attention to the principal provisions of the Acts, and to point out some of the pitfalls into which an employer may unwittingly fall.

The main provision of the Act of 1831 was that wages must be paid in coin, payment in kind being strictly prohibited by the Act. The workman is in a position to recover from his employer any sum not paid in coin, and the value of the articles supplied in lieu of coin cannot be recovered by the employer.

The Act of 1887 dealt with the case of a workman who is entitled by agreement, custom, or otherwise to receive a payment on account of his wages before the regular period of payment. In such cases, it is not lawful for the employer to withhold such payment or to make any deduction on account of interest, poundage, or other similar charge.

It also provides that the employer cannot insist upon a workman spending his wages at any particular shop, and a workman is not to be dismissed on account of the place at which his wages are spent.

The Act of 1896 has a much wider scope.

Important provisions are made with regard to deductions or payments in respect of fines, damaged goods, or bad workmanship. Contracts may be made with the workman for deduction from his wages of fines, if (a) the terms of the contract are contained in a notice kept constantly affixed where it can be easily seen, read, and copied by any person whom it affects, or the contract is in writing and signed by the workman, and (b) the contract specifies the matters in respect of which fines are imposed and the amount of the fines, and (c) the fines are in respect of matters likely to cause loss to the employer or interruption to his business, and (d) the amount of the fine is fair and reasonable. In addition, when fines are imposed and deductions made in respect of them, care must be taken to furnish the workman at the time with full particulars in writing. This part of the Act applies to shop assistants as well as to workmen, as already defined. Deductions from wages may also be made in respect of bad or negligent work, or injury to materials or other property of the employer, if similar regulations are carried out, and the deduction does not exceed the actual or estimated damage or loss occasioned to the employer. Under similar conditions, an employer may charge for use of materials or tools, standing room, light, heat, etc., so long as the charge is not in excess of the cost price. Workmen are entitled, on making request, to a copy of every contract or notice as to fines and deductions, and the employer is bound to keep a register and to enter therein every deduction or payment for or in respect of fines.

It is impossible within the limits of these pages to deal at all adequately with the important question of an employer's liability in case of accidents to workmen employed by him and the serious responsibility placed upon the employer by the various statutes which have now been consolidated in the Workmen's Compensation Act, 1925. Every wise employer of labour will be careful to insure himself against risks of this nature, and to make himself thoroughly acquainted with the terms and conditions of his policy. The Act does not purport to include within its scope all classes of workmen

and all classes of employment ; but Insurance Companies will issue a special policy to cover all accidents, whether within or without the Act, and it is well for employers to protect themselves against claims for compensation by taking out such a policy. As Insurance Companies naturally protect themselves as much as possible, and generally take advantage of the provisions contained in the policies they issue, care should be taken to see that all their requirements are complied with, and especially that immediate notice of accidents is given. This subject is referred to at greater length in Chapter XXIII.

CHAPTER XXII

Miscellaneous Legal Points—Tenancies—Rates and Taxes—Repairs—
Insurance—Fixtures—Distress for Rent—Factory and Workshop Act—
The Shops Act

DIFFERENCES between landlord and tenant often give rise to litigation, and it is, therefore, necessary that, in entering upon the occupation of business premises, care should be taken to see first that the tenancy is made secure, and secondly that the terms of the tenancy are clearly expressed. Leases for terms not exceeding three years may be made by word of mouth, but agreements for leases, however short the term, must always be in writing. This is often important. A tenant may take premises for a term of two years, and, by taking possession, will, if the verbal lease can be proved by evidence, be safe for the term agreed upon. If, however, an intending tenant agrees to take premises for a term of two years to commence at a future date, and does not immediately take possession, and, before the tenancy is entered upon, the owner of the premises changes his mind, the agreement cannot be enforced as, by law, it should have been in writing. Agreements for leases, however long the term, although bound to be in writing, need not be by deed under seal, and will be, for all practical purposes, equal to leases by deed; but a lease for a longer term than three years must be by deed under seal. For obvious reasons, it is highly desirable that tenancy agreements should be in writing. It often happens that a tenant enters and pays rent without any written document, and, in these cases, several points should be borne in mind. A tenancy is *prima facie* a yearly tenancy, but it may be inferred from the way in which the rent is paid that a shorter tenancy is intended. For instance, rent paid by the week in general establishes a weekly tenancy. But there is no such inference if the rent is paid quarterly. In the first place, to determine a yearly tenancy, six months' notice must be given on either side, and the notice must expire on the Quarter Day on which the tenancy commenced. That is to say, if the tenancy commenced on the 24th June, the six months' notice must be given on the 25th December preceding the June Quarter Day when it is desired that the tenancy should end. The yearly tenancy is, therefore, generally equal to a tenancy for two years certain, as, unless notice is given to terminate the tenancy at the end of the first half

year, the tenancy cannot be terminated until the end of the second year. If, as sometimes happens, possession of premises is taken between two Quarter Days, and rent is paid for the broken portion of the quarter, and subsequently from quarter to quarter, the tenancy is considered to have commenced not when the tenant first entered but at the Quarter Day to which he first paid up, and notice must be given accordingly; but, if rent is not paid for the broken portion, the tenancy will commence on the day when the tenant entered and notice to quit at that time will be good. If a tenant wishes to terminate his tenancy, he may do so by giving a verbal notice, but a written notice should always be given and may take the following form—

To A. B. of, etc. (Landlord).

Take notice that I wish to quit and deliver up on the 24th June next (or other day, as the case may be) possession of the premises situate at (describe the premises shortly) which I now hold of you as yearly tenant.

Dated this day of , 19. .

(Signed) C. D.

Address :

This notice should be served personally upon the landlord, but may be served by sending it by registered post. If a yearly tenant gives notice of his intention to quit and does not leave at the expiration of his notice, he is liable to pay double the yearly rent of his premises for the time he remains in possession, and if notice to quit is given by a landlord and the tenant continues in possession, the landlord may recover double the yearly value of the premises. The rent cannot be increased during a tenancy, unless the tenancy is first determined by notice to quit; but, if the landlord gives notice to his tenant to quit, or pay an increased rent, and the tenant does not quit, an agreement to pay the increased rent will be implied.¹

A tenant from year to year, in the absence of an agreement, is only bound to keep the premises wind and water tight, and is not responsible for general repairs. He will, however, be liable to make good all damage caused by his negligence, as, for example,

¹ Various Acts of Parliament have been passed in recent years, the object of which is to restrict the landlord's right to raise the rent of his property. The Acts do not, however, apply to business premises.

The Landlord and Tenant Act, 1927, provides for payment, in certain circumstances, of compensation for improvements and goodwill to tenants of business premises, or the grant of a new lease in lieu thereof.

if he breaks windows, or makes holes in the floors or walls. There is no obligation on the part of the landlord, in the absence of agreement, to do any repairs, and the tenant's only remedy, if the premises become unfit for occupation, is to give notice to quit, and to leave if the necessary repairs are not carried out. If there is no agreement to the contrary, the tenant is liable to pay all rates and taxes except Property Tax which, by law, falls upon the landlord and, if paid by the tenant, may be deducted from his rent.

When the agreement of tenancy or lease is in writing, all the terms of the tenancy must be included, as no agreement outside the written document will have any effect. The term for which the premises are to be let, the amount of the rent and when it is to be paid, and the notice required before the tenancy can be terminated, must all be included, and the obligations on the part of the tenant and landlord respectively should be carefully considered and expressed in plain language. The tenant usually agrees to pay rates and taxes, except Property Tax, and the tenant must see that the clause as to payment of rates does not include the words "duties," "charges," "impositions," or "outgoings." If any one of these words is inserted, the tenant may find himself called upon to pay charges under the Public Health Acts for the paving of streets, making of sewers, abating of nuisances, etc., which, in the absence of express agreement, are payable by the landlord. To avoid the possibility of having to pay these charges, which are often heavy, a clause should be inserted in the lease to the effect that they shall not be paid by the tenants. The tenant should also see that the lease clearly defines the duties of the parties as to repairs, and must bear in mind that, if the landlord is bound to repair any part of the premises and repairs are necessary, notice of the want of repair must be given to him, and an opportunity afforded him of doing the repairs. If the tenant executes such repairs without notice to the landlord that they are required, he cannot afterwards compel the landlord to pay for the work. The lease should contain provisions as to the insurance of the premises. In the absence of special agreement, the tenant is not bound to rebuild premises accidentally burnt down; but, if he has entered into a general covenant to repair without exception, he is liable to restore the premises which may be destroyed by fire, tempest, lightning, or any other accident. If the lease is silent as to insurance, the

tenant remains liable for the rent although the premises have been burnt down, and it has been held that he cannot compel the landlord to expend insurance he may have received in rebuilding. But, under an Act of Parliament passed in the reign of George III, any person interested in premises destroyed by fire may require Insurance Companies to expend the insurance money in rebuilding. If, as is generally the case, the landlord undertakes to keep the premises insured against fire, the tenant must see that his lease contains a clause that, in the event of the premises becoming unfit for use or occupation by reason of fire, his rent shall cease or abate.

It is almost unnecessary to point out that, if the tenant is bound to keep the premises in repair, he should take care to see that they are in a proper state before he enters upon possession.

The tenant has the power to sub-let the premises held by him, but it is usual for the landlord to provide that his consent must be obtained to any sub-letting. This clause should be drawn so as to give the tenant power to sub-let without consent if the proposed sub-tenant is a responsible person and the landlord unreasonably refuses to give the required permission. In the case of sub-letting, the tenant remains liable to the landlord for the rent, and he is also liable for repairs and other matters which he may have agreed to do. In fact, the sub-tenant is, for all purposes, a tenant of the tenant and not of the landlord.

Before entering into any agreement or lease, it is important that the tenant should ascertain that his proposed landlord has power to let the premises. It occasionally happens that the premises are in mortgage and the consent of the mortgagee is required to any lease. If, in these cases, a lease is granted without consent, the mortgagee may, if he takes possession of the premises, put an end immediately to the tenancy, and the unfortunate tenant is often left without remedy. If the landlord is also the owner of the adjoining premises, it may be well to insist upon a covenant by him that the adjoining premises shall not be let for a similar business to that carried on by the tenant.

A lease must be properly stamped. If the term does not exceed 35 years, the stamp duties are as follows—

			s.	d.
Rent not exceeding £5 per annum	..	..	1	0
Exceeding £5 and not exceeding £10	..	..	2	0

						£	s.	d.
Exceeding £10 and not exceeding £15	..	..	..	..	..	3	0	
„ £15 „ „ £20	..	..	..	..	..	4	0	
„ £20 „ „ £25	..	..	..	..	..	5	0	
„ £25 „ „ £50	..	..	..	..	..	10	0	
„ £50 „ „ £75	..	..	..	..	..	15	0	
„ £75 „ „ £100	..	..	..	..	..	1	0	0

and 10s. in addition for every fractional part of £50.

The costs of the lease, including stamp duty, fall upon the tenant. The lease is usually prepared in duplicate so that one part may be retained by each party, and the landlord is liable for the costs of the duplicate. The tenant should, therefore, see that, in paying for the lease, he is not also charged for the duplicate.

Another important question which often arises is the right of a tenant to remove fixtures put up by him during the tenancy. By the common law, all things fixed to the freehold become part of it, and should not be removed without consent, but as this often works hardly upon the tenant it has been considerably mitigated in his favour. As a general rule, and in the absence of any agreement to the contrary, a tenant may now remove all fixtures erected by him for the purposes of trade, provided—and this is important—he takes them away before the end of his tenancy. If his tenancy expires and the fixtures remain, they become the property of the landlord, unless the tenant has obtained permission to leave them until they can conveniently be removed. Of course, any damage done to the property by the taking away of the fixtures must be made good by the tenant. Very often, a tenant giving up possession agrees to sell fixtures belonging to him to an incoming tenant. It is important that this agreement should be in writing and that the landlord should be a party to it, otherwise he might say that the outgoing tenant had forfeited all fixtures to him by not removing them, and so the incoming tenant might not be able to remove them at the end of his tenancy.

By the Factory and Workshop Act, 1901, more particularly referred to later in this chapter, the owner of premises coming within the provisions of the Act is liable to maintain sufficient means of escape in case of fire, and the Act provides that, if the owner alleges that the tenant should bear, or contribute to, the expenses of complying with the requirements of the Act, he may apply to the

County Court and that Court will have power to order by whom the expenses must be borne. If the tenant has agreed to pay all outgoings in respect of the premises, he may be liable to repay to the landlord the expenses of erecting and maintaining fire escapes. This point should be remembered when a lease of premises is being prepared, and the proposed tenant should see that a liability of this description, which may be heavy, is not thrown upon him.

One of the strongest weapons in the hands of a landlord is power to enforce payment of the rent by levying a distress upon all property on the premises, whether such property belongs to the tenant or to a stranger. There are some exceptions to this rule, and the following is a list of the principal things which are exempt from distress—

1. Things in personal use ;
2. Fixtures fixed to the freehold ;
3. Goods belonging to a stranger, and delivered to the tenant to be wrought on in the way of his ordinary trade ;
4. Perishable articles ;
5. Tools of trade, although not in actual use, provided other sufficient distress can be found ; and
6. Loose money.

It is well to remember that machinery and other articles frequently obtained nowadays on what is known as " the hire system " may be taken by a landlord under distress for rent.

In levying a distress, a landlord or his agent cannot obtain an entrance by breaking open any outer door or window, but, if access is once obtained through an open door or window, inner doors may be forced open.

A distress must be levied upon premises held under the lease, but, if the tenant fraudulently or clandestinely removes his property after rent has become due in order to prevent their being seized by the landlord, the landlord may, if there is not sufficient property left to satisfy his claim, follow and distrain upon goods within 30 days of their being removed, provided they have not, in the meantime, been *bona-fide* sold for value and to a purchaser who has no notice of the wrongful act.

The Law of Distress Amendment Act, 1888, provides that no person shall act as bailiff to levy any distress for rent, unless authorized

to act as a bailiff by a certificate of a County Court Judge, and any person not holding such a certificate who levies a distress is deemed to be a trespasser. The landlord may himself in person levy a distress without this certificate. The goods distrained cannot be sold until the expiration of 15 days from the time of their seizure, provided the tenant so require in writing and give security for any additional costs which may be incurred thereby.

The Factory and Workshop Act, 1901, has consolidated and amended the law with regard to Factories and Workshops, and its provisions should be carefully observed by all those whose business premises may be within the Act. The Act applies to Textile and Non-Textile factories and to workshops. A factory may be said to be any place in which steam, water, or other mechanical power is used in aid of the manufacturing process, and a workshop includes any premises, room, or place, not being a factory, in which any manual labour is exercised by way of trade or for purposes of gain in the making, altering, repairing, ornamenting, or finishing of any article, or the adapting for sale of any article, to or over which premises, room, or place the employer of the persons working therein has the right of access or control. It is impossible within the limits of this work to do more than touch upon some of the principal provisions of this very important Act. Inspectors are appointed by the Home Office (not the Local Authority), whose duties are to see that the Act is properly carried out by all whom it affects, and, as the penalties for non-compliance with the Act are heavy, it is to the interest of employers affected by the Act to study its provisions and to see that they are faithfully observed.

The important questions of health and safety are dealt with in the first part of the Act, which covers 22 sections. Very stringent rules are laid down as to keeping the premises in a cleanly and well-ventilated state, and particular attention must be paid to the requirements of the law with regard to limewashing and cleansing of walls and ceilings. Overcrowding of factories and workshops must be avoided, and they are deemed to be so overcrowded as to be dangerous or injurious to the health of the persons employed therein if the number of cubic feet of space in any room bears to the number of persons employed at one time in the room a proportion less than 250, or during any period of overtime, 400 cubic feet of space to every person. This proportion may be modified by special order

of the Secretary of State for any period during which artificial light, other than electric light, is employed for illuminating purposes. It is important to remember that there must be affixed in every factory and workshop a notice specifying the number of persons who may be employed in each room.

The Act is very strict, and rightly so, as to proper precautions being taken to safeguard persons employed against accident, and dangerous machinery must be properly fenced. Boilers must be thoroughly examined by a competent person at least once in every 14 months, and a report of every such examination must be entered in the general register of the factory or workshop and signed by the person making the examination. The means of escape in case of fire must be adequate, and, in the case of factories of which the construction was not commenced on or before 1st January, 1892, and in which more than 40 persons are employed, and in the case of workshops of which the construction was not commenced before the 1st January, 1896, and in which more than 40 persons are employed, the occupier must be furnished with a certificate from the District Council of the district in which the factory or workshop is situate, that the means of escape are such as reasonably can be required under the circumstances of each case. The Act does not say what the means of escape should be, but Local Authorities generally insist upon the erection of suitable outside staircases. It is also important to remember that, whilst persons are employed, the doors of rooms must not be locked, or bolted, or fastened in such a manner that they cannot be opened easily and immediately from the inside; and, in the case of premises built after 1st January, 1896, the doors of rooms in which more than 10 persons are employed must, except in the case of sliding doors, be constructed so as to open outwards.

In case of accident causing loss of life, or such injury as to prevent a workman being employed on any one of the three working days next after the accident for 5 hours on his ordinary work, written notice must at once be sent to the Inspector in whose district the premises are situate, and, in certain cases, notice must also be sent to the Certifying Surgeon for the district. The notice must state the residence of the person killed or injured, and the place to which he has been removed. In such cases, the Certifying Surgeon must investigate the nature and cause of the injury, and report to the

Inspector within 24 hours. The Home Secretary may also direct a special investigation of a serious accident.

Part 2 of the Act, consisting of 44 sections, is concerned with the hours of employment and holidays, and demands careful attention. Regulations as to hours of employment are made as to three classes : (A) women over the age of 18 years ; (B) young persons, of both sexes under 18 years of age, and not children, and (C) children under 14 not having a special certificate, and all children under 13. The hours of work of men over 18 are not in any way regulated, except in so far as their work is dependent on the work of classes (A), (B), or (C). The hours vary according to the class of factory and the class of workpeople, and, as Inspectors are always on the alert to detect any cases of what is commonly called " time cribbing," employers need to be constantly alive to the importance of not allowing these special classes of workpeople to begin work before, or leave off after, the stipulated hours. The occupier of every factory and workshop must specify in a notice which must be affixed to the premises (a) the period of employment, (b) the times allowed for meals, and (c) whether the children are employed on the system of morning and afternoon sets or of alternate days. No change is allowed to be made in the period, or times, or system until the occupier has served upon the Inspector, and affixed to the premises, notice of his intention to make the change ; and a change must not be made oftener than once a quarter, unless for special cause allowed in writing by an Inspector. As the question of time is all important in the cases of hours of employment, the Act enables the Inspector to name a public clock in the neighbourhood of the premises, and the period of employment and the times allowed for meals are regulated by that clock. A notice must also be fixed during the first week in each year of every whole holiday or half holiday to be allowed, and a copy of the notice must, on the day it is fixed, be forwarded to the Inspector.

It frequently happens that breaches of the Factory laws as to starting work before, and leaving off after, the prescribed times are due to the carelessness of the workpeople and not to the employer. It is, therefore, provided by the Act that, in cases where the employer is charged with an offence, he may have the actual offender brought before the Court, and if the employer satisfies the Court that he has used due diligence to enforce the Act, and that the

servant has committed the offence without his knowledge, consent, or connivance, the actual offender will be convicted and the employer will be exempt. It is also provided that if, when the Inspector discovers an offence, he is satisfied that the employer has used all diligence to enforce the Act and also that a servant whose name is given to him has committed the offence without the knowledge, etc., of the employer, and against his orders, he shall proceed against the servant and not the employer.

Occupiers of Textile Factories are bound by the Act to publish particulars of the rate of wages applicable to work to be done, and also particulars of the work to which the rate is to be applied to enable workers paid by the piece to compute the total amount of wages payable to them in respect of their work. These particulars must be published, in certain cases, by placards posted in position where they are easily legible, and, in other cases, supplied in writing to the workmen.

In addition to those already mentioned, the following notice must be given, register kept, and returns made—

1. Within one month after he begins to occupy a factory or workshop, the occupier must give a written notice to the Inspector of the District containing the name of the factory or workshop, the place where it is situate, the address to which he desires his letters to be addressed, the nature of the work, the nature and amount of the motive power, and the name of the person or firm under which the business is to be carried on :

2. At the entrance of every factory and workshop, and in such other parts as may be directed by the Inspector, must be affixed (a) the prescribed abstract of the Act ; (b) a notice of the name and address of the prescribed Inspector ; (c) a notice of the name and address of the Certifying Surgeon, and (d) a notice of the clock, if any, by which the period of employment and times for meals in the premises are regulated :

3. A register shall be kept—called the General Register—containing particulars as to (a) the children and young persons employed in the factory or workshop, (b) the limewashing of the premises, (c) every accident occurring of which notice is required to be sent to the Inspector, (d) every special exception of which the occupier of the premises avails himself, and (e) such other matters as may be prescribed. This Register should be kept carefully as all entries are

prima facie evidence against the employer of the facts stated, and the failure to make the required entries is prima facie evidence that the provisions of the Act have not been observed:

4. Periodical returns of the persons employed must be sent to the Chief Inspector of Factories.

WAGES BOARDS. Wages in certain trades are fixed by Trade Boards appointed under the Trade Boards Act, 1918. These Boards consist of representatives of employers and workers in equal numbers, together with members appointed by the Ministry of Labour, and, in addition to fixing a general trade rate of wages for time-work, they may also fix (a) a general minimum piece rate of wages for piece-work; (b) a minimum time rate to apply in the case of workers employed on piece-work; (c) a guaranteed time rate (whether a time rate or a piece rate) to apply in substitution for a minimum rate which would otherwise be applicable; and (d) an overtime rate. By a Provisional Order of the Ministry of Labour this Act may be applied to any specified trade.

SHOPS ACT. The Act which is now known under this name was passed in 1912. It is a consolidating and amending statute, embracing the whole of the Acts previously in force as to the hours and certain of the conditions of employment of shop assistants and extending the provision of the same in various particulars. The Act refers to "shops" and "shop assistants" only. By the interpretation clause of the Act it is provided: (1) "Shop" includes any premises where any retail trade or business is carried on; (2) "Retail trade or business" includes the business of a barber or hairdresser, the sale of refreshments or intoxicating liquors, and retail sales by auction, but does not include the sale of programmes and catalogues and other similar sales at theatres and places of amusement; (3) "Shop assistant" means any person wholly or mainly employed in a shop in connection with the serving of customers or the receipt of orders or the dispatch of goods; (4) "Bank-holiday" includes any public holiday or day of public rejoicing or mourning; and (5) "Week" means the period between midnight on Saturday night and midnight on the succeeding Saturday night. It is seen at once, therefore, to what places and to what persons the statute applies.

With respect to the time of employment, no shop assistant, under 18 years of age, is to be employed for a longer period than 74 hours a week, including meal times, and a notice must be kept

posted up in the shop in a conspicuous position, stating the exact number of hours during which such persons are employed. These provisions apply not only to retail but also to wholesale shop assistants, with the exception of domestic servants.

Every shop assistant must have a half-holiday granted to him or to her on one day in each week, which means, in the wording of the Act, that on one day employment must cease at 1.30 p.m. A little latitude is granted if at the time of 1.30 an assistant is actually engaged in serving a customer. Also, it is specially provided that the half-holiday rule does not apply to the week before a bank-holiday, if on one day in the following week the shop assistant is granted a half-holiday in addition to the bank-holiday. Where there are several assistants employed in a shop, the half-holiday granted to them may be on different days, but in any case a notice must be posted up in the shop in a conspicuous position, setting out the names of the assistants, and the days upon which their holidays are granted.

Intervals for meals must be allowed in accordance with the first schedule of the Act, but this provision does not apply to a shop in which the only persons employed as shop assistants are members of the family of the occupier of the shop, maintained by him and dwelling in his house. The first schedule is as follows—

Intervals for meals shall be arranged so as to secure that no person shall be employed for more than six hours without an interval of at least twenty minutes being allowed during the course thereof.

Without prejudice to the foregoing provision—

(1) where the hours of employment include the hours from 11.30 a.m. to 2.30 p.m., an interval of not less than threequarters of an hour shall be allowed between those hours for dinner; and

(2) where the hours of employment include the hours from 4 p.m. to 7 p.m., an interval of not less than half-an-hour shall be allowed between those hours for tea;

and the interval for dinner shall be increased to one hour in cases where that meal is not taken in the shop, or in a building of which the shop forms part or to which the shop is attached:

Provided that an assistant employed in the sale of refreshments or in the sale by retail of intoxicating liquors need not be allowed the interval for dinner between 11.30 a.m. and 2.30 p.m., if he is allowed the same interval so arranged as either to end not earlier than 11.30 a.m. or to commence not later than 2.30 p.m., and the same exemption shall apply to assistants employed in any shop on the market day in any town in which a market is held not oftener than once a week, or on a day on which an annual fair is held.

Certain alternatives are granted to this provision as to the meals of shop assistants employed in any premises for the sale of refreshments, by the amending Act of 1913, but as these are not

working arrangement by which risks are carefully classified and a uniform scale of premiums agreed upon. These rates have been fixed as the result of the accumulated experience of the various offices. Risks and losses have been analysed and tabulated, and the premiums fixed on the basis of the data thus secured. The Tariff Companies are represented by the "Fire Offices Committee," which exerts a moral control over the transactions of the various Companies associated with it. The Non-Tariff Companies are those which are not represented on the Fire Offices Committee, and do not recognize its rules. They are free to charge whatever rates of premium they may deem proper, and profess to be in a position to consider each case upon its merits. It will be found, in practice, that they generally quote the same rates as the Tariff Offices, but are prepared to allow a certain amount of discount; they not infrequently allow their agents a larger commission than the customary 15 per cent.

It was formerly a custom for the person desirous of insuring against loss by fire to be requested to fill up a form known as a *Proposal*, giving full information as to the building or property to be insured. In the case of buildings, a full description of its construction with particulars of the trades carried on, not only in the building itself but in adjoining buildings, was insisted upon. As any mistake in this document might afterwards lead to the policy being considered void, it came to be recognized that, in order to prevent mistakes and misunderstandings, it was better for the Company itself to be responsible for the accuracy of this document. It is now the general practice for the building to be examined by an expert Surveyor, representing the Company, to whom the person seeking insurance gives as much information concerning the risk as lies in his power. When this inspection has taken place, the Company are in a position to give a quotation. The Companies in many cases send the proposal form to the insured for signature and, on receipt of the proposal thus signed, the Company will issue a "cover note," which covers the risk up to the time the actual policy is issued. The policy is handed to the insured on payment by him of the amount of the premium. Fire insurance policies generally run from year to year, from the date specified in the policy, but generally expiring on one of the regular Quarter Days. Fifteen days' grace is usually allowed for the payment of the premiums. It

is important that the property insured should be correctly described in the policy, and, if any material alteration is made in the property, immediate notice should be given to the insurers, otherwise the policy may be rendered void.

It is necessary, in order to establish a claim under a policy of fire insurance, that the insured should be able to prove that he had an interest in the property at the time of effecting the insurance, and when the fire happens. A purchaser of the property will not benefit in case of fire, unless he has made an arrangement with the vendor, by which, with the consent of the Company, the policy has been transferred to him. The policy is not, however, assignable without the Company's consent. An ordinary fire policy covers all losses incurred by damage resulting from fire, such as may be caused by smoke or water, or by the removal of the goods to a place of safety. The insured should read carefully through his policy, noting the various clauses, as these differ according to the class of risk and the Company issuing them. The policy usually provides that notice of the damage shall be given to the Company within 15 days of the occurrence of a fire. The safest course is for the insured to give immediate notice; and if, as is frequently the case, it is not possible for him to furnish a detailed statement of claim within the period named, the Company will allow a reasonable time in which he may prepare the necessary particulars. Formal notice is given in order that the Company's assessors may have an opportunity of inspecting the premises, and instituting inquiries into the cause of the fire, etc. Claims are paid on satisfactory proof of loss or damage by fire. Assessors may require the production of books of account, invoices and vouchers, etc., in order to check the particulars given in the statement of claim which has been drawn up by the insurer. The production of an inventory of furniture and fixtures, together with carefully kept stock books, would be calculated to save a great amount of trouble in case of dispute. Anticipated profits are not recoverable, but only actual loss sustained by the insured. In case an "*Average*" clause has been inserted in the policy, the Company will be liable to pay to the insured only *pro rata* damages. Full damages will only be paid when the property or stock has, in the first instance, been insured *up to its full value*. If a business man has stock up to the value of £10,000, which he insures for only £5,000, he is deemed to be willing to run the risk

so far as half the value is concerned, and he must be satisfied, in case a fire occurs, to receive from the Company the *pro rata* damages represented by the £5,000 insured. It is obviously unfair to expect a Company to insure £10,000 worth of goods for the premium on a £5,000 risk only.

In preparing claims for losses incurred by fire, it is necessary that the fullest available details should be furnished. In most business concerns, an inventory of furniture and fixtures is kept, and, if this has been brought up to date, say half-yearly, very little difficulty need arise in case a fire occurs in regard to the preparation of the claim on the Insurance Company, assuming, of course, that the inventory and books have been lodged in a safe place, and have not been destroyed by the fire. The production of such an inventory would be accepted by the Insurance Company as evidence that the claim was a *bona fide* one. In the case of stock-in-trade, the difficulty would probably be greater. Recourse would be had to Stock Books, Invoices, Sales Books, etc., and, in some cases, only approximate figures could be given. The Insurance Companies recognize this, and, provided there are no suspicious circumstances attending the fire, rely to a large extent on the good faith of the insured. As already stated, only actual losses can be claimed, and consequently the cost price only will be allowed in the claim in cases where the goods insured are rendered of no value; where the goods are not actually destroyed, the amount by which they are depreciated will be allowed. Should any dispute arise, it must be referred to Arbitration, this being invariably provided for in the policy.

In order to cover against loss, arising, as a result of fire, from the necessary acquisition of temporary premises, it is very general for business houses to insure against loss of rent to an extent equal to the annual value of the premises ordinarily occupied. In the event of the premises being rendered uninhabitable through fire, the insurance company will then pay a sum commensurate to the period during which they remain uninhabitable; or, if part only of the premises be damaged, a corresponding allowance will be made, which may be roughly regarded as sufficient to compensate for the double rent incurred while temporary premises are in use. It is not possible to insure against consequential loss (loss of future profits) arising from a fire with any of the ordinary insurance companies; but some companies make a speciality of such risks, and, for a quite

reasonable annual payment, is prepared to pay compensation equivalent to the loss of profit during a limited period after a fire, such compensation being based upon the average profits of the past few years.

ACCIDENT INSURANCE. The usual form of policy covering accident insurance entitles the insured, or his representatives, to certain fixed payments in case he sustains bodily injury, caused by accident, which may result in death or disablement within three months of the accident. In this, as in every other form of insurance, the utmost good faith is presumed between the parties, and any misrepresentation, or false statement, or the suppression of any material facts, may afford a complete defence to an action under the policy. It is important, therefore, that great care be exercised in filling up the proposal form. The policy carefully defines the various degrees of disablement, as to what is to be considered as partial, total, temporary or permanent. Compensation is generally limited to the period of disablement, a maximum being fixed in respect of any single accident. The policy may cover any period agreed upon, or may be limited to a special journey, or particularized so as to cover a special set of circumstances. It is usual, however, for the policy to be a yearly one, renewable at the Company's option. The various classes of accident covered by the policy are clearly defined, and a proviso is generally inserted which excludes disablement resulting from natural disease or weakness. Death or disablement, in order to come within the scope of the policy, must be directly traceable to the accident.

CONTRACT GUARANTEES. When important contracts are advertised, a clause is frequently inserted to the effect that the contractor will be required to find sureties to be jointly and severally bound with him in a certain sum, the actual amount depending upon the magnitude of the contract. It is possible for the successful contractor to call upon his friends to act in the capacity of guarantors, or he may induce the firms from whom he proposes to purchase the materials required in the fulfilment of the contract to allow themselves to be bound as sureties. Or he may deposit a sum of money against the due fulfilment of the contract. In the latter case, however, he would be deprived of the use of his money at a time when in all probability, he would have found it extremely useful. A Insurance Company will, for a fixed premium, take the position

guarantor, and either itself become a party to the contract, or be responsible for the payment of the stipulated penalty in case the terms of the contract are not fulfilled. The premium charged will be based, not only on the amount of the bond, but upon the nature of the work, and the character, experience and financial standing of the contractor.

BAD DEBTS. The covering of risks of loss connected with the giving of credit is not an easy matter for Insurance Companies to deal with, but the field of operations is undoubtedly large and a considerable and increasing volume of business is being transacted in this department. It is recognized that, seeing the form of policy, some proportion of the loss incurred must fall upon the insured himself. A policy may be issued which insures the solvency of certain specified debtors for a limited period. An agreed limit of liability is scheduled against each debtor, the Company taking a risk equal to one half the total loss in case of insolvency. Another form of policy may be had which covers any loss which may be sustained beyond the *average* annual loss as shown in previous years. By taking out such a policy, a trader may provide against losing more than he can well afford, and in this way save himself from disaster. The fact that he himself bears a certain portion of the loss safeguards the interests of the Insurance Company.

EMPLOYERS' LIABILITY AND WORKMEN'S COMPENSATION. The Employers' Liability Act was passed in the year 1880. Prior to that date, a workman, injured in the course of his employment, and through no fault of his own, could not obtain compensation, even though the injury was due to the negligence of some other person in the same employment. Proceedings could be taken at common law in case of injury due to the personal neglect of the employer. The Act of 1880 introduced a restricted liability, as, under it, the liability of an employer was, generally speaking, restricted to cases where negligence had been shown by the employer or his subordinates. The injured workman had still no redress in case his injury had been brought about by the negligence of any of his fellow workmen. In 1898, the Workmen's Compensation Act of 1897 came into operation. The basis of this Act is the principle that the workman is entitled to compensation, whatever may be the cause of his disablement. Other Acts were subsequently passed and the whole statute law has now been consolidated in the

Workmen's Compensation Act, 1925. The main test of liability is whether the workman was injured by an accident arising out of and in the course of his employment. By degrees, the Courts have given a most liberal interpretation to the provisions of the Acts, and it is now very difficult for an employer to escape liability for injuries to his servant in the absence of fraud.

By Section 5 of the Act it is provided—

In this Act, unless the context otherwise requires—"Employer" includes any body of persons corporate or unincorporate and the legal personal representative of a deceased employer; and, where the services of a workman are temporarily lent or let on hire to another person by the person with whom the workman has entered into a contract of service or apprenticeship, the latter shall, for the purposes of this Act, be deemed to continue to be the employer of the workman whilst he is working for that other person.

Under Section 3, "Workman" does not include any person employed otherwise than by way of manual labour whose remuneration exceeds three hundred and fifty pounds a year, or a person whose employment is of a casual nature and who is employed otherwise than for the purposes of the employer's trade or business, not being a person employed for the purposes of any game or recreation and engaged or paid through a club, or a member of a police force, or an outworker, or a member of the employer's family dwelling in his house, but, save as aforesaid, means any person who has entered into or works under a contract of service or apprenticeship with an employer, whether by way of manual labour, clerical work, or otherwise, and whether the contract is expressed or implied, is oral or in writing.

Under the Act an employer is liable if in any employment personal injury by accident arising out of and in the course of the employment is caused to a workman; provided that the employer is not liable for an injury which does not disable the workman for a period of at least three days from earning full wages at the work at which he was employed. The compensation is disallowed (except in case of death or serious and permanent disablement) if the injury is attributable to the serious and wilful misconduct of the workman. No contract between employer and workman purporting to vary the provisions of the statute has any validity except where a special scheme may have been sanctioned by the Registrar of Frien

Societies. A principal contractor is still liable even though the work may be in course of performance by a sub-contractor, the workman being directly employed by the latter.

The provisions made for compensation under the Act are complicated, but may result in awarding as much as £600 to the relatives of a workman whose life is lost.

It will be seen that the principle is now well established that some specific provision should be made for workmen who have been injured in the course of their employment, and that a workman disabled through an accident, and without means of support, should not become dependent upon private charity. The injured man's employer must be prepared to bear this cost, the obligation being laid upon him by law. Recognizing this, the employer will take the precaution of transferring his liability to an Insurance Company. The premiums payable on policies covering risks under the Employers' Liability and Workmen's Compensation Acts vary from $\frac{1}{2}\%$ to 5% of the annual wages paid, and the average premium has been roughly estimated at $1\frac{1}{4}\%$.

THIRD PARTY RISK. Another form of insurance is that in connection with Third Party Risks, or claims arising from injury to the person, or damage to property, of third parties (i.e. not the employers or employees). This is generally insured against by firms owning vehicles, such as carts, delivery vans, etc., and by omnibus and tramway proprietors, Companies, and Corporations. The premiums vary according to the class of risk, being sometimes based upon the number of vehicles run, or the mileage or—in the case of passenger-carrying vehicles—upon the gross receipts, the rate in the latter case ranging from 2 to 5%.

FIDELITY GUARANTEE. It has become a recognized practice for Government Departments, Corporations, and business houses generally to require some form of guarantee to be given by persons in their employ who hold responsible positions, such as Cashiers, Managers, Secretaries and others. Formerly it was necessary in such cases for private persons, generally friends or relatives, to act as sureties; but this system has practically died out, having been superseded by a form of fidelity guarantee insurance. The advantages of the new method over the old are obvious. A private surety, willing to act as such, might himself be in a hopeless state of insolvency, or might become so by the lapse of years, and this would

be discovered only in case it became necessary to make a claim upon him. Such a surety might even be lost sight of, having possibly left the country. On the other hand, where a policy is taken out with an Insurance Company, of recognized financial standing, absolute security against loss is offered in case of the default of the person concerned. The policy would be renewed year by year, and thus would be kept regularly under supervision, and, in case of default, the amount of the loss would be much more easily recovered from a Company than from private persons. Before issuing such a policy, the Company would inquire carefully into the character and history of the employee, and this fact in itself is a safeguard to the employer, being in the nature of an assurance of previous good conduct. Insurance Companies are willing to issue policies covering the risks of single individuals, or where, for example, a firm have a number of branches or retail shops, each having its own responsible Manager or official, the whole of the risks involved might be recovered by a single policy. In many cases, the employer pays the whole of the premiums, whilst others pay only a certain proportion, and require the employee to provide the remainder. The general principles of law applicable to other forms of insurance apply to guarantee insurance. Perfect good faith is essential on the part of the employee and his referees, as the Company, in estimating the risk, are compelled to rely largely upon the information thus given, supplemented by any inquiries which it may make on independent lines. A condition generally found in policies of this character is that the employer shall, if and when required by the Company, use all diligence in prosecuting the employee to conviction for any fraud or dishonesty in consequence of which the claim shall have been made under the policy. Other conditions relate to the giving of due notice of the claim, and the furnishing of proofs of fraudulent actions of the person whose conduct is insured against. The premiums vary very considerably according to circumstances, and the Companies will quote on being furnished with particulars.

BURGLARY INSURANCE. It is possible to recover loss incurred through burglary and housebreaking, and this class of insurance has made rapid progress during recent years. The principle is the same as that in case of fire, namely, an indemnity against loss, the loss in this case being sustained by burglary. A proviso is often

inserted in a burglary insurance policy providing that the risk shall not apply where it is proved that any member of the assured's household, or of his business staff, or any other inmate of the premises is concerned as principal or accessory. A clear distinction is also drawn between burglary and mere theft, the latter risk not being covered by the *ordinary burglary policy*, although many policies are issued that cover the larceny risk as well.

PARTNERSHIP INSURANCE. The death of a partner in a business firm frequently means the withdrawal of a certain amount of capital. It is conceivable that, under certain circumstances, a great hardship might result to the surviving partner by the capital of a deceased person being thus compulsorily withdrawn, as it might not be possible to replace it without considerable difficulty. Such a contingency may be guarded against by the firm taking out a joint policy on the lives of its partners, the amount of which becomes payable on the death of either. The premium may be paid by the firm or otherwise, as may be arranged. Such joint insurance, however, is being superseded by separate policies on the lives of the various partners. Not only are the premiums considerably lower in the case of single policies, but, should the partnership be dissolved for any reason, it is found that the single policies can be much more conveniently dealt with. It is only necessary for each partner to continue his own policy, paying his own premium.

No precise rules can be laid down as to how the premiums in respect of partnership insurance should be borne as between the partners, but it may be pointed out in quite general terms that the practice sometimes followed, of making each partner pay the premium on the insurance of his *own* life, is essentially inequitable. As a matter of fact, the object of effecting such insurances at all is to save the survivor from the inconvenience of being suddenly called upon to make a heavy payment: that being so, each partner is, in effect, insuring the life of the other, and the cost of the insurance should be apportioned between the partners upon this basis, having regard to their respective ages—and this whether a survivorship policy be undertaken, or the lives of the two partners separately insured. In the former event, on a dissolution of the partnership, the policy may be either surrendered or sold, as may seem advantageous, and the proceeds should be divided between the partners in

proportion to their respective contributions by way of premiums, and not treated as a partnership asset. The same process should be followed in connection with separate policies, although these will, as a rule, be disposed of to the partners themselves, rather than sold to third parties or surrendered.

MARINE INSURANCE. This is undoubtedly the oldest form of insurance. In a Statute of 43 Elizabeth c. 12, it is stated that it had been the *immemorial usage* among merchants, both English and foreign, when they made any great adventure to procure insurance to be made on the ships or goods adventured. From this, it may be inferred that insurance had been in use in England at least a century previously. A contract of marine insurance, although based upon the principle of indemnity, is not, in practice, a perfect form of indemnity, by which, in consideration of the payment of a certain premium by the insured, the insurer agrees to make good marine losses incurred in connection with the object insured. The insurer is frequently referred to as "the underwriter," and the contingency insured against is called "the risk." It is assumed that the transaction is entered into in good faith, and that the insured has an interest in the subject-matter of the insurance: without this condition being complied with, the insurance might be rendered void. A contract of marine insurance by way of gaming or wagering is void. Most policies are based upon "Lloyd's" form, but each Insurance Company issues its own special form, and different clauses are inserted to cover varying risks. When a firm is making regular shipments to certain ports, it is found most economical to take out an "open" or "floating" policy. This is one in which the value is not declared, but, as each separate shipment is made, notice is given to the Insurance Company, and the amount is endorsed on the policy. A lump sum is fixed when the policy is issued, in consideration of which a lower premium is charged than would be the case if a separate policy were issued for each shipment. As the various shipments are "declared," the amount is gradually reduced, until the whole sum has been declared against, when a fresh policy is taken out.

A "valued" policy is one in which the value of the goods insured is stated, together with their description, rate of premium, etc. "Lloyd's" is universally known as the head of the Marine Insurance business, but it should be understood that "Lloyd's," as a

Corporation, does not transact insurance business. This is done by individual members of "Lloyd's," who accept risks in their name.

It is a common practice for Marine Insurance business to be done through the medium of an Insurance broker. If it is intended to insure with "Lloyd's," the broker's clerk will ask certain underwriters to initial a slip containing brief particulars of the risk. When this has been done, a "covering note" is sent to the insured, which is afterwards followed by a policy. When the insurance is placed with an Insurance Company, the merchant furnishes the necessary particulars on an advice note. A covering note is sent to him at once, and this is followed later by the policy itself. In order to meet the requirements of English law, the policy must specify the name of the insured or his agent; the undertaking to insure the subject-matter insured; the voyage or period of time covered by the insurance; the sum insured and the name of the insurer.

In Marine Insurance, the term "General Average" represents the contribution made by all parties interested in the ship, freight and goods, towards a loss sustained by one for the benefit of all. If a loss would occur, where, for the general safety, certain parts of the cargo are jettisoned. It would be manifestly unfair for the owner of such goods to bear the whole of the loss, seeing that the act was an intentional one and done for the general good. The loss of an individual whose goods are sacrificed for the benefit of the others must be compensated, so that he will be placed in the position he would have held if the sacrifice had been made by another instead of himself.

The term "Particular Average" represents a loss which is not a general loss, and which falls exclusively on the owner of the goods who has no right of contribution against other persons. A part of marine insurance may be effected which covers "particular average," or—as it is sometimes expressed—"all risks," or, at a certain premium, a policy will be issued which covers only "general average." When that is the case, the policy is said to be "free of particular average," meaning that the underwriters are not liable for claims for particular average.

A policy of marine insurance is assignable, either by specific assignment or by blank endorsement, the latter being most common.

It is impossible within the limits here available, to describe

the procedure in case of loss. If intelligence is received that the vessel carrying the goods has been wrecked, immediate notice of the fact should be given to the underwriters through the broker, and a claim made upon them for the value of the goods lost or damaged. There is usually some delay in settling claims, as the adjustment of the losses is generally found to be a very intricate and tedious process. This work is undertaken by experts known as average adjusters.

The ship itself may be insured in the same way as the goods, the same form of policy being used in each case.

TRADE DEPRESSION. In the nature of things, there can be no regular insurance effected against loss arising through trade depression and kindred causes. It is, however, obvious that, with many businesses, it would be highly desirable if some such form of insurance could be effected, with a view to minimizing the losses arising from such contingencies. Indirectly, such insurances are sometimes effected at "Lloyd's," more especially when, in times of international complications, it is thought desirable to guard against contingencies by effecting an insurance against war: that is to say, by making payment of a sum down in consideration of an agreement upon the part of the underwriters to pay a larger sum, if war breaks out within a prescribed period. Another form of "hedging"—perhaps less generally employed and less speculative, but probably, upon the whole, more efficient—is that of "going a bear" upon Consols: that is to say, the business man, who, on account of his commitments, is very desirous that there shall be no abatement in the existing state of general all-round prosperity, sells Consols, of which he is not possessed to an extent equivalent to the result sought to be attained. If his precautions have proved to be unnecessary, the worst that can happen is that Consols have risen, and that, in order to cover his "bear," he must buy Consols at a subsequent date at an enhanced price and be content to lose the difference—which, however, would as a rule not amount to any very serious sum, regarded as an insurance premium. If, on the other hand, his precautions have proved well founded, and the contingencies that he was fearing have, in point of fact, been brought about, the general losses which he sustains in consequence will, in part at least, be counterbalanced by a corresponding fall in Consols, which will enable him to cover his "bear" by purchasing at a lower price, thus making

a profit upon the deal. A transaction of this description, so far from being a speculation, is, in point of fact, undertaken with a view to *reducing* the speculative risk that is inseparable from ordinary and legitimate business transactions. No transaction which has the effect of modifying extremes of risk can be regarded as speculative.

NATIONAL INSURANCE. A matter of extreme importance to employers has come very prominently to the fore through the passing of the National Insurance Act, 1911, which came into operation on the 15th July, 1912. This Act was subsequently amended in various ways, and the law was consolidated in the National Health Insurance Act, 1924. A further amending Bill is now (June, 1928) before Parliament. There is no intention of giving here even a summary of the Acts—their administration or the benefits granted under them—but it is necessary for every employer to have a clear idea of the obligations imposed on him by this legislation, especially as far as the collection of contributions is concerned, seeing that he is the person responsible for the carrying out of this portion of the insurance scheme.

The general idea of the Acts, so far as sickness is concerned, is to include amongst the compulsorily insured all employed persons between the ages of 16 and 70, except those for whom special exemptions are provided, including among the exceptions those employed on other than "manual" work whose total remuneration exceeds the rate of £250 per annum. The Act applies to persons of either sex, and to aliens as well as natural born or naturalized British subjects. Consequently, unless they fall into one or other of the classes to be noticed hereafter, the following persons must be insured: (1) all those who are employed in manual labour in the United Kingdom, irrespective of the scale of remuneration paid to them, and this includes out-workers, such as charwomen, etc.; (2) all those who are employed and receive money payments under any contract of service or apprenticeship in the United Kingdom, where the rate of remuneration does not exceed £250 per annum. It will be seen at a glance how far-reaching is the principle of the Act, and the amending Acts have shown that the disposition of the Legislature is rather to extend than to limit the classes to be comprised within its scheme. For example, persons who are employed by local authorities are now included, although

they did not come within the Act of 1911. It is as well to bear in mind that all persons employed on British ships and all persons who are engaged in plying for hire with any vehicle or vessel must also be insured. Special provision is made as to men serving in the army or the navy.

Although, as already stated, the principle of the National Insurance Acts is to embrace as many workers as possible, the following are specially exempted—

(1) Clerks or other salaried officials in the service of a railway or other statutory company, where the Insurance Commissioners are satisfied that provision is made as to sickness or disablement of a satisfactory character.

(2) Teachers in elementary schools, who are entitled to superannuation under former Acts.

(3) Agents employed on commission by more than one employer, unless mainly dependent upon one employer.

(4) Apprentices, learners, and children of an employer, and employees on an agricultural holding when no wages are paid.

(5) Casual workers, where the employment is not for the purpose of the employer's trade or business. But persons employed for the purposes of games must be insured, e.g. golf caddies.

(6) Wives employed by their husbands, and husbands employed by their wives.

(7) Outworkers who are employed in an occupation of such a nature as to be a subsidiary kind of employment, and not the principal means of livelihood.

(8) Members of the crew of a fishing vessel, where the remuneration is made by means of shares in the profits or the gross earnings or otherwise in accordance with any custom or practice prevailing at any particular ports, provided that the Insurance Commissioners are satisfied with the working of the same.

There is also another class of persons exempted under the provisions of section 2 of the Act of 1911, who would otherwise have to be insured. The section is as follows—

“Where any person employed within the meaning of this part of this Act proves that he is either—(a) in receipt of any pension or income of the annual value of £26 or upwards not dependent upon his personal exertions; or (b) ordinarily and mainly dependent for his livelihood upon some other person; he shall be entitled to a certificate exempting him from the liability to become or to continue to be insured under this part of this Act.”

There are special rules to be observed in connection with this kind of exemption, but they need no mention here. Even though the employee is freed, the employer must pay his contribution, which goes towards medical benefit.

From what has been stated, an employer is able to understand which of his employees must be insured, and it is his business, unless he wishes to run the risk of the penalties prescribed by law, to see that the statutory requirements are complied with, so f

as he is concerned. These are set out below, but a difficulty has sometimes arisen as to outworkers and persons who are casually employed. An out-worker is one who is employed to do work on some premises other than those of the employer. There are cases in which such employees do not fall within the class of those who must be insured, especially when the livelihood of the out-workers is not mainly dependent upon the remuneration received from their employers; but it is safer to run no risk and to see that the insurance is effected for them. Again, the casual worker has been the subject of some discussion. If he or she is employed for the purpose of any trade or business, the scheme of compulsory insurance applies. As to charwomen, these must be insured if engaged to clean offices, etc., and if such women are employed by more persons than one, provision is made for their various employers paying the insurance contribution in turn. There are special limitations as to aliens and the benefits that they are entitled to receive, but as the position of the employer is the only consideration, it is unnecessary to enter upon this point here.

The classes of persons who are compulsorily insurable having been determined, it is now necessary to see what are the rates of contributions to be paid, and who is responsible for seeing that the contributions are collected. The latter point has already been disposed of—it is the employer who must carry out this part of the work, either by himself or through one of his subordinates. But the employer is entitled to deduct the amount of the employee's contribution from the workman's wages, though he must not deduct his own.

All persons who are insurable under the National Health Insurance Acts are insurable also under the Widows', Orphans' and Old Age Contributory Pensions Act. All contributions payable are paid on the same card by means of combined health and pensions stamps. Cards are issued to insured persons by their Approved Societies or may be obtained from any Post Office. The weekly rates of contributions are—

For Male Contributors	.	.	.	.	1s. 6d.
For Female Contributors	.	.	.	.	1s. 1d.
Exempt Persons (that is, persons holding current exemption certificates)—					
Male	.	.	.	.	11½d.
Female	.	.	.	.	7d.

Employers must stamp the workers' cards at these rates for each week of employment or part thereof.

Combined health and pensions insurance stamps of the required values may be purchased at any Post Office.

In the case of employed contributors, the portion of the contribution that the employer may deduct from wages is normally 9d. for a man and 6d. for a woman, but when a worker aged 18 or upwards is not in receipt of board and lodging from the employer and the rate of remuneration does not exceed 4s. a working day, the amount to be recovered is less, i.e.—

	Amount recoverable from wages.	
	Man.	Woman.
Rate of remuneration over 3s. but not over 4s. a working day	8d.	5d.
Rate of remuneration not over 3s. a working day	4½d.	2d.

In the case of exempt men 2½d. may be deducted from wages irrespective of rate of remuneration, but no part of the contribution is recoverable from the wages of an exempt woman.

The contributions are collected by the employers. The method adopted is the stamping of an insurance card. The card is printed and published by the Insurance Commissioners, and it is obtained by the insured workman either from a Post Office or through the approved society of which he or she is a member. The insured person hands the card to the employer, or to a servant of the employer, who is responsible for seeing that a stamp of the proper value is affixed week by week, partly his own contribution and partly that of the employee, the amount of the latter being deducted from the wages due. Each card has twenty-six divisions, and when it is filled it must be handed by the insured person to the Ministry of Health or the approved society, as the case may be, when a new card will be supplied for the ensuing half-year to be filled up in its turn.

There is no need to notice here the optional part of the insurance scheme, instituted for the benefit of those who are not compulsorily insured. This affects the employees alone, and although the State makes its contribution, the employer is under no liability to make any contribution, and he is not responsible for the collection of the payments.

UNEMPLOYMENT INSURANCE ACT. The second portion of the

National Insurance Act, 1911, dealt with unemployment. This was, however, of a tentative character, and was superseded by the Unemployment Insurance Acts, 1920 to 1927. The scope of these Acts is very much wider than that of the Act of 1911, and the scheme of unemployment insurance has been extended to substantially all persons in respect of whom health insurance contributions are payable other than persons employed in agriculture and private domestic servants.

As in the case of health insurance, the payments are on a contributive basis and, owing to the industrial situation and with a view to providing additional benefits under the scheme, the contributions have been varied from time to time by amendments to the Act. The amounts as from 2nd July, 1928, are as follows—

	From Employer.	From Employee.	Total Value of Stamp.
Men of 18 to 65 . . .	8d.	7d.	1s. 3d.
Women of 18 to 65 . . .	7d.	6d.	1s. 1d.
Boys of 16 and under 18 . . .	4d.	3½d.	7½d.
Girls of 16 and under 18 . . .	3½d.	3d.	6½d.
Men aged 18, 19 and 20 . . .	7d.	6d.	1s. 1d.
Women aged 18, 19 and 20 . . .	6d.	5d.	11d.

Owing to causes the discussion of which is not within the scope of this book, the Unemployment Fund is at the moment insolvent, but as soon as the Fund is, in the opinion of the Treasury, solvent, the contributions above set out are, under the Act, to be reduced. Moreover, when the debt of the Fund has fallen to £7,262,568 the portion of the contribution payable by employers may, at the option of the Treasury, be reduced.

For "exempt persons" the rates are as follows: Men 8d., Women 7d., boys (16 to 18) 4d., girls (16 to 18) 3½d., the whole being payable by the employer in each case.

It would be as impossible to enter into details of the insurance scheme, as to discuss all the points connected with it. Full particulars can easily be obtained by applying to one of the Labour Exchanges, where information can also be gained as to the cases in which the benefits will be withheld.

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